

Hong Kong airport Patteris first brush with China



dumping

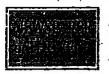


On shifting ground

The Mediterranean Dealing with a

liquid dustbin





# FINANCIAL TIMES

Wednesday July 22 1992

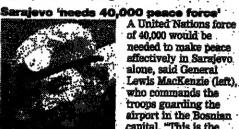
# Telekom goes to top of Germany's state sell-off list

Bonn is to press on with its long-term aim of withdrawing completely from business and indus-try with the sale of "a good two dozen" state concerns, German finance minister Theo Waigel

announced yesterday. 🦠 Announcing a wide-ranging privatisation programme, he said Deutsche Telekom, German lecommunications network, would be sold off after a change in the constitution. The government will also quickly sell off its remaining 51 per cent stake in national carrier Lufthansa. Page 12

D-Mark grows firmer: The pound remained weak against the D-Mark, which continued to strengthen in spite of Monday's concerted central bank intervention to damp its recent rise. After falling early yesterday the pound rose in late trading to close unchanged on the day at DM2 8425. Page 6: Threat to EMS, Page 2; Uncertainty in a stable world, Page 10; Currencies, Page 28

Work stops at 55: Formal employment for men and women aged 55 or over is going out of fashion in the industrialised world, says the Organisation for Economic Co-operation and Development, notably in Italy where only 10.9 per cent of men over 55 are employed. Page 12; OECD jobless total, Page 3



of 40,000 would be needed to make peace affectively in Sarajevo alone, said General Lewis MacKenzie (left). who commands the troops guarding the airport in the Bosnian capital. "This is the first time a [UN] peace keeping force has been

deployed when there's no peace to keep." The UN had never converted a peacekeeping to a peacemaking force, and it was impossible to do this, he said. Page 12; Boutros Ghali attacks peace plan, Page 2; Editorial Comment, Page 10

Brittan seeks backing on Perrien EC: competition commissioner Sir Leon Brittan says competition policy will be damaged unless the EC commission backs him and approves Swiss food group Nestle's FFr15.46hn (\$3hn) bid for French mineral water group Perrier. Page 2

'Dirty tricks' denial by UK ministers: The UK government was thrown on the denial after allegations of "dirty tricks" during the general election campaign forced cabinet members to deny that they were involved. Page 6

Swiss in IMF dispute: Switzerland's planned threatening to upset the delicate balance in the organisation between developing and industrialised nations. Page 4

Citicorp, largest US banking group, provided evidence of a solid recovery in overall earnings with second-quarter net profit of \$171m in spite of a tripling of north American commercial property losses. Page 13

Hong Kong airport setback: Hopes for early agreement on financial arrangements for Hong Kong's HK\$175.3bn (US\$22.15bn) airport and related projects collapsed when China accused the Hong Kong government of misleading the colony and the international community about the project. Page 3

Roche, Swiss pharmaceuticals group, has reported a 19 per cent increase in sales to SFr6.6bn (\$5.03bn) for the first half of 1992. The company reported strong gains in sales of existing drugs acceptance of new products. Page 14

National Australia Bank, Australian trading bank, offered NZ\$0.80 a share for Bank of New Zealand, New Zealand's largest commercial bank, valuing it at NZ\$1.48bn (US\$300m). Page 13

WestLB, acquisitive state bank of North Rhine Westphalia, appears poised to take a substantial stake in Landesbank Rheinland-Pfalz, state bank of its closest southern neighbour. Page 14

SmithKline profit up: Buoyant pharmaceutical sales helped SmithKline Beecham, Anglo-US drugs and consumer products group, raise pre-tax profits to £245m (\$468m) from £230m for the second quarter. Page 13

Nortel earnings down: Canadian telecommunications equipment maker Northern Telecom suffered a drop in second-quarter earnings to \$72.3m because of the disposal of businesses bought as part of the acquisition of Britain's STC. Page 15

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FINANCIAL TIMES OFT No 31,816 Week No 30 P

island. For USAir it is a very

FT Law Report .

CONTENTS . 17.18 Intl. Cap Mits.

\$1% to \$14% on Wall Street.

Meanwhile, Standard & Poors

and Moody's, US rating agencies,

placed USAir's debt ratings

under review for a possible

out if the deal is not completed

by Christmas Eve this year. To

ease the way through US anti-

trust laws, BA will take over run-

ning USAir's few existing trans-

In the US, the deal will need

clearance from both the Depart-

ment of Justice and the Depart-

ment of Transportation. Mr Scho-

field made clear that the carriers

will argue that the deal improves

atlantic routes.

Either BA or USAir can pull

FT Actuaries ..... Foreign Exchanges .....27 Equity Options ....
Managed Funds ... ged Funds ..... 24-28

LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

# Iraq's defiance of UN raises possibility of air attack

By Mark Nicholson, Middle East

AN AIRSTRIKE by the Gulf war allies against Iraq is more likely now than at any time since the war because of Baghdad's contin-ued defiance of United Nations weapons inspectors, US and British officials said yesterday.

Diplomats at the UN said there was unanimity among the 15 Security Council members that Iraq could not be allowed to get away with denying a team of weapons inspectors access to a ministry building from which it has been barred for 17 days. The US. Britain and France

have begun consultations on the

possible use of force should Iraq continue to resist the UN team's request to enter the building. The revival of a serious military option against Iraq follows growing concern and frustration among the Gulf war allies, not just at Iraq's defiance of the

inspectors, but also with an accu-

mulation of other recent rebuffs

to the UN and a spate of unex-plained attacks on UN guards

operating in northern Iraq.
Furthermore, US officials said
the Security Council was determined it should not be seen to be a pushover while continuing tense operations in Cambodia and the former Yugoslavia. "The council is not at this point going to allow itself to be regarded as a pussycat," one diplomat said.

Sir David Hannay, the British ambassador to the UN, said publicly on Monday that military action against Iraq had not been ruled out. In private yesterday, senior British officials said the UN's patience with Iraq was on

the brink of running out They believe an air strike could be made without further UN resolutions, given that Iraq's defiance of the UN inspection team consti-tutes a "material breach" of the Gulf war ceasefire resolution. Nevertheless, US and British diplomats in New York shied away from reported comments by an anonymous Security Council

diplomat suggesting that a strike against Iraq was "inevitable" and would take place within 10 days.

They pointed out that "serious consequences" for Iraq would be averted if it allowed the UN weapons inspectors access to the agriculture ministry building in Baghdad. Relays of inspectors have parked outside the building since July 5, demanding admission under ceasefire terms.

 Raised tensions in the standoff came amid unconfirmed reports that Iraqi President Sadnated. The reports, filed originally by the Egyptian Middle East News Agency, were apparently prompted by an interruption in normal service on Bagh-dad radio yesterday morning, when programmes were replaced by readings from the Koran.

However, normal service resumed yesterday afternoon and no information was available to confirm the rumours.

The real issue in Iraq, Page 11

# Greenspan **forecasts** pick-up in US economy

By George Graham In Washington

ECONOMIC GROWTH in the US will soon pick up again, and any effort by Congress to hasten the recovery by cutting taxes will probably be counterproductive, Mr Alan Greenspan, the Federal Reserve chairman, said yester-

day. expansion will soon gain momentum, which lower inflation should help to maintain," Mr Greenspan told the Senate banking committee in presenting the
central banks. Ewice yearly
report to Congress of monetary
policy and economic prospects.

Mr. Greenspan faced a boeffe

Mr Greenspan faced a hostile congressional audience, led by Senator Donald Riegle of Michi-gan, who attacked him for lowering interest rates too slowly and for believing monetary easing alone would be enough to lead the US economy to recovery. "I don't hear you saying anything different to the people out there in the country who are in trouble

except: 'hang on'," he said. Mr Greenspan acknowledged the jobless rate was much worse than he had anticipated a year ago. This was because a greater proportion of the population than expected was entering the workforce, rather than following alternatives such as further education

or home-making. The size of the federal budget deficit had severely limited the choices available, he said, and any effort to "jump start" the

economy with a package of tax incentives would be dangerous. "I will not deny that there is a possibility that if some fiscal stimulus were enacted we would

accelerate near term. I think that is highly risky . . . and could probably be counterproductive," Mr Greenspan warned. "I do not believe this notion that we can jump start the economy...The relevant analogy is turning an ocean liner around."

In a session notable for its almost total lack of any reference to exchange rates or to Monday's concerted intervention by central banks to halt the slide of the dollar, Mr Greenspan spent much of his time defending the Fed's slow but steady policy which has resulted in 23 easings of monetary policy over the last three years - the last of which cut the discount rate (at which the Fed lends to banks) to 3 per cent earlier this month.

Any attempt to lower short-term interest rates faster he said, would simply have pushed long-term rates higher because it would have provoked fears of a revival of inflation.

Mr Greenspan said the Fed expected consumer prices to rise by between 2% and 3% per cent next year. "Were this to be realised, inflation would be about back to a pace last seen on a sustained basis around a quarter century ago," he said.

Greenspan takes up cudgels for the Fed, Page 4



Yttzbak Rabin, Israeli prime minister (left), and Egyptian president Hosni Mubarak after their meeting yesterday

# Mubarak ready for Israel visit

PRESIDENT Hosni Mubarak of Egypt said yesterday he was ready to visit Israel, but indicated that further substantial progress was needed towards Middle East peace before he travelled to the Jewish state.

Opening a new chapter in relations with Israel, Mr Mubarak met the Israeli prime minister, Mr Yitzhak Rabin, and said the two were committed to advancing peace efforts.

The Egyptian leader has previously said he was prepared to travel to Israel when the time was right. "Mr Rabin invited me but frankly speaking, I need no invitation," Mr Muharak said. Lex. Page 12 My response is positive to Mr

clear that Egypt was expecting "much more" from Israel towards halting settlement construction in the occupied West Bank and Gaza Strip. Asked about the Rabin government's moves to freeze settlement activity temporarily. Mr Mubarak declared. with the Israeli leader seated next to him: "It is a good step on the right track and we appreciate

it, yet we need much more. But

we leave it to him now." Neither

agreements about joint efforts to revitalise the peace process, but it seems likely that the two will co-ordinate closely in the weeks

Mr Rabin welcomed an Egyptian offer to host bilateral talks between Israel and her Arabneighbours, including Syria, Lebanon and a Jordanian-Palestinian team. However, he indicated that the negotiations launched in Madrid last October would

- Fidelity Money Funds - - - -

to Cairo later. Mr Rabin, who is on his first trip abroad since being sworn in earlier this month, called on other Arab states to follow Egypt's example and make peace with Israel. "I believe the time has arrived ... for other countries, for other peoples, to divert from war, from the course of con-

frontation, and embark on the Continued on Page 12

# BA link with USAir creates world's biggest air network

nd Nikki Tait in New York

BRITISH AIRWAYS is buying a stake in USAir, the sixth biggest US airline, in a move that creates the world's biggest airline alli-

BA is paying \$750m initially for a stake of up to 44 per cent in USAir, to be held in the form of convertible shares. US regulations limit foreign ownership of voting shares so the British air-line will only have 21 per cent of voting rights. The combined operation will

link the world's biggest air net-work with the third biggest US domestic network and carry more passengers than any other air-BA's biggest deal since it was

privatised in 1987 closes a long and frustrating period for the company, providing a long-sought foothold in the huge north American market.

"We have been stalking a number of airlines for some time," Lord King, non-executive chairman, said yesterday. "The catchment area for BA is this little

competition, creating a stronger It also throws a lifeline to USAir, which has incurred afterrival to the three US mega-carriers - Delta, American and tax losses of \$760m during the last two years and has debts of The tie-up is likely to increase more than \$2bn. But Mr Seth the pressure on US and European Schofield, president of USAir,

transport authorities to speed the denied that BA's capital injection process of deregulation. was a rescue deal. "We still had Mr Stephen Wolf, chairman of strong liquidity and we would have been a survivor," he said. Investors in London and New United Airlines, the second biggest US carrier, said the deal presented "a singular opportunity to achieve competitive York welcomed the deal. British Airways shares rose 10p to 268p breakthrough in air services in London and USAir shares rose

between the US and Britain". USAir stressed that the link-up with BA was independent of talks with other carriers, such as the bankrupt Trans World Airlines. It said that BA's cash would go first to pay off bank debt.

However, if assets became available, Mr Schofield did not rule out using some of the cash for acquisitions. As far as alliances with other carriers were concerned - USAir had, for example, been talking to Air Can-ada - Mr Schofield said that these would now be "reviewed".

Lex. Page 12 BA's global dream, Page 13 Aer Lingus losses, Page 18

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# Yeltsin aide rejects liberal dream

By John Lloyd in Moscow

A SENIOR adviser to the Russian president has called for Russia to "abandon the liberal approach" in both foreign and domestic policies, and to cease attempting to integrate itself into the western econo-

Mr Sergei Stankevich, a state counsellor and a former deputy mayor of Moscow, yesterday called a press conference with the sole apparent aim of putting on the record his opposi-tion to the "liberal dream" of a market economy and democratic institutions - calling instead for the creation of a "strong central power...to

carry out reform

Mr Stankevich is a prominent and still-young politician who has made his name as a radical democrat over the past five years. However, he has been moving steadily towards a more outspokenly authoritar-lan position under the impact of the worsening economic crisis and the fractious relations between Russia and the other former Soviet states, which expose Russians in these states to increasing tension.

Figures published earlier this week by the Russian Statistical Committee showed sharp falls in every branch of production in the first half of the year - including 13 per cent in oil, 12 per cent in coal, 4 per cent to 13 per cent in

reports from Palermo.

chemicals and petrochemicals, 14 per cent in cement and building materials, and by more than 20 per cent in paper. The rouble, no longer supported by interventions of the central bank, has sunk to 150 to the dollar.

Mr Stankevich, who insisted he was an individual voice, also admitted his ideas were close to those of General Alexander Rutskoi, the Russian vice-president. Gen Rutskoi's party, Free Russia, has formed the "Civic Union" coalition with the Democratic party and the Union of Industrialists to create a powerful and increas-ingly vocal bloc espousing the kind of ideas publicised yester day by Mr Stankevich.

The state counsellor stressed the "Russianness" of his ideas saying that the country was now rejecting the notions of the westernisers who took power after the collapse of communism, in favour of a balance between east and west. In economic reform, he said, the government's ideas on market reform had been discredited, and should be replaced by "active industrialism" - that is. "capitalism with a very

active oversight by the state". Mr Stankevich drew a parallel here with the statesman Mr Pyotr Stolypin, whose reforms from 1905 until his assassination in 1911 laid the base for private farming under authori tarian Tsarist rule.

### NEWS IN BRIEF Jobs hang on claim of **Officials CFC-free** quit as refrigerator anti-mafia

By Leslie Colitt in Berlin anger grows

HUNDREDS of jobs in one of Angry anti-mafia protesters east Germany's most blighted yesterday broke through police regions are hanging on a com-pany's claim to have developed an environmentally safe refrigcordons outside Palermo cathedral at the funeral of five bodyguards blown up with leading

anti-maíia judge Mr Paolo Bor-DKK Scharfenstein, east Gersellino on Sunday, Reuter many's sole producer of refrigerators, claims its "eco-refriger-Anger against the political ator" is a technological breakthrough because its comclass which failed to protect Mi Borsellino after the Mafia murpressor operates with a prodered his colleague, judge Giopane-butane mix instead of the vanni Falcone last May, has standard chlorofluorocarbons, been rising since Sunday's which damage the ozone layer. bombing, particularly among police bodyguards in Palermo. However, the company has already been accused of adopt-The mayor of Palermo, Mr ing desperate measures with Aldo Rizzo, resigned hours its claimed breakthrough before the ceremony and seven of the Sicilian capital's 16 depdemise. It lost DM85m (\$55.9m) uty prosecutors have also last year on turnover of stepped down in protest at the DM71m and the Treuhand priauthorities' latest failure in the vatisation agency has

battle against the Mafia. appointed a liquidator. Once flourishing sales of Czechs would refrigerators in west Germany olummeted after monetary assume debts union in 1990 and the collapse of the Soviet market for com-A Czech republican govern-

ment would be willing to Mr Franz Wauschkuhn, assume responsibility for the Treuhand spokesman, said the entire \$9.3bn (£4.86bn) foreign Treuhand was paying a subdebt of the present Czech and sidy of DM50 for each of the Slovak federal republic if the 200,000 refrigerators DKK pro-"velvet divorce" of the repubduces annually. DKK would lics goes through at the end of have to cut its 1,900 workforce September as proposed, according to Mr Vladimir Dlouhy, the down to 600 to become profitable, he said. Czech trade and industry min-

The west German Electro-technical Federation (ZVEI) lster, writes David Dodwell. Mr Dlouhy was in London to called the new refrigerator a calm western fears over the "hoax", arguing that the pro-Czech government's determinanane-butane mixture was not tion to stand by its economic only inefficient but liable to reform programme, said the break-up of the federal state explode, raising awkward questions of product liability. It also claimed that the refrigerawould involve difficult negotiator used 40 per cent more electricity than conventional mod-

### Rouble falls against dollar

The rouble fell sharply against the dollar yesterday on the Moscow Interbank Currency Exchange with the change in the chairmanship of the Russian central bank being blamed by the Itar-Tass news agency. Reuter reports from Moscow. The currency fell to 151.1 to the dollar from 135.4 roubles the previous week, Tass said.

### Ex-king may be tempted back

Michael of Hohenzollern, the former king of Romania, has said he will consider initiatives aimed at bringing him back to the country as sovereign. writes Virginia Marsh from Bucharest.

The ex-king's statement appears to rule out the possibility he will run for president in elections due September 27 and comes as a blow to the National Liberal party (NLP). one of the country's main political parties, which last weekend nominated "Citizen Michael Hohenzollern" as its presiIf Rome opts for devaluation others may follow and the EMS could fall apart

### THE VIEW FROM SIX CAPITALS

FRANCE

Government would fiercely

fought over past decade to

hold policy of monetary and

budgetary rigour. Inflation

levels for past 13 months,

and France feels well on

way to earning as much

the debate on Europe's monetary future. It has no

interest in surrendering

these gains, least of all

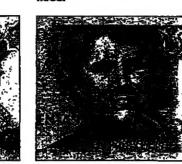
when there is no economic

libility as Germany in

resist realignment which revalued D-Mark, having



Membership of the narrow band of the exchange rate been uncontested in italy and has been the country's sole consistent aspect of economic policy. The new Amato government would be most reluctant to consider realignment until assured of backing from the main political parties for its new emergency budget and until after 1993 budget outlines have been prepared



SPAIN

rumours that it is pressing for realignment and insists interest rates will remain high to stall inflation. Spain's new fiscal package will save Pta326bn (£1.781m) in tax increases and budget cuts. Central bank intervention allows controlled peseta slide against D-Mark closer to narrow band parity. Spain may take advantage of realignment but does not want to precipitate it.

The government denies



GERMANY

Preoccupations, manifested by actions of Bundesbank, have a twin focus: D-Mark's role as guarantor of German economic wellbeing, and currency's anchor function in EMS. Argument runs that, if D-Mark unstable then so is EMS. Bank says recent discount rate rise intended to stabilise monetary growth while causing as little upset as possible. Officials imply what others do is up to them, offering no judgment whether realignment necessary or desirable.



UNITED KINGDOM

Debate growing in Britain about membership of the ERM. There are tears that membership, should Germany again tighten monetary policy, would force the UK to raise base rates and risk pushing the lump, or otherwise see sterling come under ressure in the ERM. Nevertheless, the government says it firmly committed to keep sterling at central parity of DM2.95.

# Italian lira: the sick currency of Europe

OREIGN exchange dealers have regarded the Italian lira as the sickest currency in Europe for months. Its failure to respond to extensive Bank of Italy support now makes it a prime candidate for devaluation, perhaps as part of a general realign-ment of the European Monetary System (EMS), according to London market analysts. Devaluation of the lira would

further weaken market confidence in the EMS. Despite Monday's concerted interven-tion by central banks to prop up the dollar, there is still pressure on the UK to devalue sterling against the D-Mark, and even to leave the ERM altogether. Dealers in the foreign exchange market fear that if the Italians devalue now, the move will encourage other EMS member countries, such as Britain, to follow - and the EMS could fall apart.

Since the spring, the Italian authorities have done every-thing in their power to stop the fall of the lira. They have raised the discount rate by 1.75 per cent in the last fortnight, to 13.75 per cent, to make the rate of return on hira investment more attractive. They have also actively intervened in foreign exchange markets, buying lira and selling D-Marks to keep the currency above its permitted lows in the EMS. The Italian central bank's governor repeated this week that a devaluation of the lira was out of the question. But yesterday, the lira looked as anaemic as ever, falling dangerously close to its permitted lower limit against the D-Mark of L765. "The Italians could well devalue the

economist at Yamaichi International in London. Several factors have under-

exchange rate at any time in

the next three months," says

Mr Neil MacKinnon, chief

 Italy's political uncertainties are chief among them. It took over six weeks to form a coalition government, led by Prof Giuliano Amato, who now has a meagre 16-seat majority in parliament. The government's difficulties in fighting organised crime are also growing, with last weekend's assassination of a senior magistrate involved in mafia investiga-

tions further undermining confidence in the currency. • Economic uncertainty is increasing. The government's budget deficit for this year was originally set at L123,000bn, but is now likely to overshoot by L47,000bn unless an emer-gency budget is approved by parliament. Industrial production is declining, falling in May by 5.6 per cent year-on year.

The Italians are reaching the limits of what they can do with economic policy'

• Italy's policy of raising its discount rate to strengthen the lira has failed to impress markets. "Every one percentage point rise adds 13 trillion (million million) lire to the deficit," says Mr MacKinnon. "A vicious circle has therefore set in: the lira falls, the Italians raise rates, the budget deficit increases and the lira falls again as the markets lose con-Edence in the economy." The currency is undermined by uncertainty over European

Monetary Union (Emu). The lira had benefitted from the conviction that Italy would be forced to reduce its budget deficit to meet the Maastricht Treaty convergence criteria. Since then the Danish "no" vote to Masstricht and the French referendum on the treaty in September have open to speculation all the more, because the market is willing to test the strength of the European monetary structure," says Mr Gerard Lyons, chief economist at DKB International in London.

However, some analysts believe the Italian government need not act immediately. Mr David Cocker, economic analyst at Chemical Bank in London, says Italy retains large foreign currency reserves with which to fund market intervention, estimated at about L38,000bn. There would also be little point in devaluing before the French referendum: "If the French vote against monetary union, it will be politically easier for the Italians to

devalue afterwards," he says. Rome has also given priority to implementing a radical economic reform package. This aims to cut L30bn off the deficit this year by a programme of privatisation. Analysts say the government would be "devalu-ing in a vacuum" if it altered the exchange rate before the package has been ratified by parliament in September.

But doubts remain over whether this package can be implemented by a government with such a thin majority, while the lira is already overvalued against the D-Mark by 25 per cent on a purchasing parity basis. "Something in the economy has to give if you stick to an unrealistic exchange rate," says Mr Gerard Lyons of DKB. "The Italians are reaching the limits over what they can do with economic policy.

Analysts say EMS countries will probably allow a member to lower rates if it has already done everything in its power to strengthen the currency. "There is a Europe-wide acceptance that Italy has specific problems, and that it is doing all it can domestically to deal

Letter underlines doubts over usefulness of Carrington's peace efforts

# Boutros Ghali attacks EC plan

By Robert Mauthner. Diplomatic Editor

PORTUGAL

the exchange rate

programme for EC

Having only recently joined

mechanism to promote its

Portugal lavours the status

quo. It sees no reason for realignment, emphasising that current tensions are

not due to the escudo. The

currency entered the 6 per

cent wide band of the ERM

in April and has remained at the top of the EMS grid

SHANP exchange Mr Boutros Boutros Ghall, the United Nations secretary-general, and Lord Carrington, the European Community's mediator on Yugoslavia, has underlined the growing doubts about the usefulness of the EC's peace efforts.

The disagreement is likely to fuel the arguments of those, such as France, who want the EC peace conference to be expanded into a wider international forum under the umbrella of the UN.

Following the abortive ceasefire agreement reached by the three warring factions in Bos-nia under Lord Carrington's presidency in London last Friday, Mr Boutros Ghali has criticised both the EC for failing to consult him and the UN Security Council for endorsing the EC's ceasefire plan. In a letter addressed to Secu-

rity Council members on Monday, the UN secretary-general also expressed "serious misgivings" on the substance of the plan, the most important ele-

Lord Carrington yesterday said he was "discouraged" after said. Yugoslav and Serbian leaders rejected an international conferostly ethnic Albanian province in southern Serbia, writes Laura Silber in Belgrade.

After talks in Belgrade, the Serblan and federal capital, with Mr Slobodan Milosevic, the president of Serbia, and Mr Dobrica Cosic, the president of Yugoslavia, Lord Carrington said he was increasingly worried over these last few months about Rosovo". He went on: "President Milosevic said he was very willing to negotiate with the Kosovans, although he did not think there was much to negotiate about because they have all their human rights under the Conference on Security and Co-operation in Europe [CSCE]. But he was not prepared for a conference in which the EC peacekeeping conference was involved on the

sovereignty." However, Lord Carrington was encouraged that leaders from Krajina, self-proclaimed Serb regions of Croatia which are now UN peacekeeping zones, had agreed to negotiations on their status without making independence a condition.

grounds that it was purely a Serbian matter which affected their

ment of which was its provi-sion for placing the heavy agreement was concluded. Moreover, Mr Boutros Ghali weapons of the combatants under UN supervision. Mr Boutros Ghali's main

complaint was that the UN was given too little time to imple-He said no UN representative had participated in the London talks and he was not aware of

Moreover, Mr Boutros Ghali said he had told Lord Carrington by telephone last Friday that the EC proposal on UN peacekeeping duties was "not realistic".

"I now find myself in the invidious position of having to advise the Council on the implementation of a mandate the EC seeking any technical behind which the Council has advice from the UN before the already thrown its political

ment last Friday, the plan drawn up by UN officials has not yet been approved by the secretary-general. The UN secretary-general's criticisms appear to have taken

Lord Carrington completely by When he told Mr Boutros

Ghali of the London peace deal, the UN chief said he was "absolutely delighted", Lord Carrington said in a radio interview yesterday. Mr Boutros Ghali's outburst

clearly reflects the frustration he feels at the inadequacy of the resources put at his disposai in Yugoslavia and his irritation with the lack of understanding by EC and Security Council leaders of the practical difficulties involved in putting their political decisions into effect.

As far as United Nations officials are concerned, such difficulties could be avoided if the whole peace negotiations were handled by the world organisa-

# German embargo role put in doubt

By Christopher Parkes

GERMANY'S continued participation in the allied monitoring of the United Nations embargo on Serbia and Montenegro was thrown into doubt last night by a challenge from the Social Democrat (SPD) opposition.

A meeting of the SPD Bundestag members was expected to vote for the issue to be put to the federal constitutional court, according to Mr Hans-Ulrich Klose, parliamentary party chairman.

He appeared confident of a "yes" vote after the parliamentary party leadership had recommended action yesterday evening. However, rank and file members, last night were understood to be divided on the best course of action. Before yesterday's round of

talks, which will be followed by an emergency Bundestag sitting today, some members wanted a ruling from the court which would force the government to withdraw the destroyer Bayern and three

join the allied monitoring force

Some, including Mr Klose claimed the aim was simply to clarify a "grey area" in the constitution, while others supported the government line that Germany should be prepared to play its full role in international affairs.

At issue is a vague clause in the constitution which has in the past been generally accepted as confining German armed forces to within the Nato area. It has not yet been tested in court.

The SPD, outraged that the government ordered forces to join the UN and Western European Union monitoring exercise without consulting parliament, appeared to be in danger of damaging its already fragile consensus.

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(KI?)

Mr Hermann Heinemann, an SPD minister in the North Rhine Westphalia state government, denounced the attempt to have the court rule as "decidedly wrong". Germany could not stand aside from measures aimed at securing

# Sanctions force Belgrade to tighten its belt

By Laura Silber in Belgrade

"PEOPLE complain about the prices of green peppers. But after paying for fer-tilisers and fuel, I have no choice — we earn a pittance," says Mrs Dusanka Mladenovic, a peasant selling vegeta-bles at Kalenic Pijaca, one of Belgrade's green markets. The effects of United Nations sanc-

technical and chemical industions, including an oil embargo, imposed on Yugosiavia for its backing of Serb fighters in Bosnia, are hitting tries of rejecting an ecologically sound product in order to the inhabitants of the Serbian capital. The Treuhand, caught in the Mrs Mladenovic says she has barely middle, said the liquidator had enough petrol to travel from her commissioned an expert opinnearby village to Belgrade. Yugoslavia, comprising Serbia and Montenegro. ion on the new refrigerator which, if positive, could mean introduced a monthly ration in June of 20 litres for private car owners. Even

each day and closed many routes.

each day and closed many routes.

Mr Ivan Obradovic, a Belgrade university professor, had difficulty even getting hold of his ration coupons.

Five municipal offices told him they had run out. Mr Obradovic dismissed on the black market. The flourishing black market sells hard currency and petrol coupons but

that is likely to be cut next month to 15 is steep for people whose average litres, according to Serbian newspamonthly wage has plummeted to DM65.

Queues of cars snake around the handful of petrol stations still open in Belgrade. Crowds of people wait for hours to pack into buses after city authorities halved the number running

as "useless" an offer of diesel coupons. One clerk recommended he buy them

the price of DM1 for a 10 litre coupon

"It is catastrophic," says Mr Obradovic. "The government has shown it is incapable of effectively rationing patrol. If this is any sign of how - if necessary - they will ration flour and cooking oil, then we will starve."

Tired of war and uncertainty, people appear to blame Yugoslav and foreign politicians for their economic woes. An attendant at one Belgrade filling station told foreign journalists in search of petrol to ask "Bush and Genscher". The former German foreign minister, Mr Hans-Dietrich Genscher has been much maligned by the Serbian media for his support of Croatian indepen-

Other people pointed the finger at sell goods on the black market."

Serbia's President Slobodan Milosevic and Croatia's President Franjo Tudj-

"If you listen to television the politicians are always right. But while they argue, people are dying in Bosnia. Milosevic and Tudiman should be blamed. not ordinary people." says Mrs Mladenovic, sitting on a wooden crate at the

Zeliko, a warehouse manager from Zemun, a city across the River Sava from Belgrade, says: "We are are all guilty for the situation - but it is mostly Serbia's ruling politicians. Meanwhile, I live from one day to the next trying to make ends meet. "I cannot feed my family on a monthly wage of DM100, so I have to

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# COMMENT TRAVELS 11110 WORLD

# Brittan presses Commission for backing on Nestlé bid The Commission is set to brands, will be sold to BSN, as co-operation between Nestle conditions on the originally planned, but neither and BSN.

By Andrew Hill In Brussels

hundreds of saved DKK jobs.

els. DKK says the gap is only

However, Mr Wolfgang Lohbeck, of the Greenpeace envi-

ronmental organisation, accused an "unholy alliance"

of the west German electro-

protect profits.

20 per cent and narrowing.

SIR Leon Brittan, EC competition commissioner, will today argue that dangerous loopholes could be created in EC competition policy unless the Commission backs him and approves Nestlé's bid for Perrier, the French mineral water

group. Approval of the Swiss food group's FFr15.46bn (\$3.03bn) bid - and of the strict conditions proposed by Sir Leon -

would extend Brussels' antitrust role to allow the examination of situations in which two or more players dominate a market.

Sir Leon believes a restrictive interpretation of the 1990 EC merger rules would leave the Community market prey to such large-scale duopolies and oligopolies. Neither the Commission nor member states would have the power to have all interpreted similar restrict Community-scale clauses in their merger control mergers which created or legislation to cover oligopolies.

strengthened such situations. Some of Sir Leon's colleagues, as well as competition lawyers and the Commission's own legal service, are concerned because the merger rules do not give Brussels explicit power over oligopolies. Commission competition officials argue that such cases are not excluded, and point out that the US, UK and France impose strict conditions on the deal, aimed at reducing the that deal, nor completion of enlarged group and by BSN, the French food company. Nestlé/Perrier will have to

sell eight mineral water brands to a third buyer. The named brands for sale will include Saint Yorre, a sparkling water, Thonon, a still mineral water, and the spring water Pierval. Volvic, one of the largest preventing closer business the state-owned bank.

the other brands.

There will also be an explicit objections. ban on Nestlé re-acquiring the sold brands within 10 years, an obligation to inform the Commission of further purchases in the French bottled water mar-

• The EC Commission is potential duopoly of the the merger with Perrier will be likely to approve nearly \$15n French market held by the authorised until the Commissor of state aid planned for theris of state aid planned for Iberia, sion has approved the sale of the Spanish state airline, despite Sir Leon Brittan's

Last week, Mr Karel Van Miert, the transport commissioner responsible for examining airline aid, recommended approval of a FFr1.25bn investket, and conditions aimed at ment in Air France by BNP,

# occupies Asean

By Victor Mallet in Manile

CHINA'S recent reaffirmation of its claim to the disputed Spratly islands in the South China Sea overshadowed the start of a meeting of the Association of South-East Asian Nations (Asean) in Manila yes-terday. Ministers expressed "grave concern" about the threat to regional security.

We cannot any more post-pone the urgent necessity to seriously seek a solution," President Fidel Ramos of the Philippines said in a speech to open the meeting of Asean for-eign ministers, "lest the unsettled situation lead to perilous

Mr Abdullah Badawi, the Malaysian minister, said his country viewed the matter with "grave concern".

The ministers of Asean

grouping Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand - raised the Spratlys issue at a meeting yesterday with Qian Qichen. their Chinese counterpart.

They also spoke of their worries about the progress of the United Nations peace plan in Cambodia, where the Chinesebacked Khmer Rouge faction is refusing to disarm its guerril-

Most Asean ministers emphasised security concerns and gave second place to economic co-operation.

The Spratlys, a scattered group of islets, atolis and coral reefs, have become a particularly sensitive issue since May, when China granted an oil exploration concession to Cres tone Energy of the US in an area claimed by Vletnam.

Six countries have laid claim to all or some of the Spratlys (China, Taiwan, Vietnam, Malavsia. Brunei and the Philippines), but China passed a law in February restfirming sovereignty over the islands of the South China Sea and reserving

the right to use military force. In his meeting with Asean yesterday, Qian reiterated Chl-na's view that territorial differences should be "shelved" in favour of joint development of the area, but he apparently did not explain how this fitted in with China's recent actions."

According to Filipino officials, he suggested a security dialogue with Asean to enhance trust and rejected accusations that China was seeking to fill a power vacuum left by the collapse of the Soviet Union and the closure of

US bases in the Philippines. "It is not necessary for any country to fill up this so-called vacuum." Qian said on Mon-day. He also told the Assan ministers that the dispute was being exaggerated, and that it would be better not to discuss it in public to avoid increasing tension. In 1988, China sank three Victnamese naval vessels and killed 72 Victnamese in a battle over the Spratlys.

### Korean row over nuclear and aid issues

NORTH Korea yesterday criticised South Korea for linking economic aid to the resolution of a dispute over mutual nuclear inspections, writes

John Burton in Seoul.

The criticism, made during a meeting on the nuclear issue, coincides with a visit this week by the North Korean deputy prime minister. Mr Kim Dal Hyun, to industrial facilities in the South. Seoul officials are hoping to use the visit of Mr Kim, North Korea's senior economic official, to persuade Pyongyang to accept spotinspections of suspected nuclear research facilities in return for investments by South Korean companies.

# Spratly dispute Hopes fade for early Hong Kong airport deal

By Simon Holberton in Hong Kong

HOPES for an early agreement on financial arrangements for Hong Kong's HK\$175.3bn (\$22.3bn) airport and related projects collapsed yes-terday when China accused the Hong Kong government of "intimi-dation" and inisleading the colony and the international community about the project. Chen Zuo'er, deputy director of

the Hong Kong and Macao Affairs office of the State Council, said Sir of the financial package. These

the content of recent Sino-British talks on the airport's financing.

His intervention follows comments made this week by Jiang Zemin, secretary general of the Chi-nese Communist Party, who report-edly accused Britain of complicating

talks about airport finance.

Addressing a seminar last Friday.

Sir David and Mr Yeung outlined China's concerns about some details

Britain and China have been in discussions for the past three months about the airport. Although they appear to be about finance, Hong Kong and British officials believe that China - which is con-cerned about political developments in the colony - is using the issue to exercise leverage over Mr Chris Patten, the colony's new governor.

David Ford, the colony's chief secretary, and Mr K Y Yeung, its treasury
by two public corporations responsisecretary, had "wantonly" disclosed
ble for the project and measures to

It now seems likely that, in the by two public corporations responsible for the project and measures to

Beijing will withhold its approval
it said no more than had already
massacre. Their economic needmassacre. Their economic needmassacre. provide them with more finance in for the finance until the autumn the event of difficulties.

for the finance until the autumn when Mr Patten is due to open the local legislature and outline his plans for the government.

If the project is delayed this long it is unlikely that Britain will be able to complete the airport before June 1997, as agreed between the prime ministers of Britain and China last September.

Hong Kong.

would be built. "The airport is in the interest of Hong Kong, is in the interest of southern China, is in the interest of the region, and it will be built." he said.

The airport and nine other related Earlier yesterday, before news of projects were proposed by the Hong may be moved to pressure Mr Hurd

It now seems likely that, in the Kong, Mr Patten defended Sir dence boosting measure in the after appeared in the pro-Beijing press in however, has never been in doubt.

The Chinese intervention comes But the governor was emphatic five days before Mr Douglas Hurd. that a new airport in Hong Kong the UK foreign secretary, is due to visit Hong Kong for talks with Mr

Patten.
Mr Hurd is expected to meet a range of interest groups in the colto concern local conservatives who Chen's statement reached Hong Kong government partly as a confi-

# China refuses to make soft landing

The joint memorandum of understanding has lost something, writes Simon Holberton

N JULY 4 last year. after "friendly discussions" between British and Chinese officials, a memorandum of understanding giving the go-ahead for Hong Kong's multi-billion dollar airport and related projects was

What exists now is a memorandum but no understanding. If the complaints about the project levelled by Chen Zou'er - Beijing's number two official on Hong Kong matters - represent China's true concerns then there is an awful lot more talking to do before agreement is reached.

Such a prospect can only mean more delays to a project already planned on extremely tight time scales and, in all probability, a project that will not be finished when the Union flag is lowered for the last time on June 30, 1997.

The two main components of Asia's biggest infrastructure project are the airport itself and a new railway line. Kai Tek, the colony's current international airport, will reach capacity limits in 1994 or 1995 and the new airport, sited at Chek Lap Kok, north of Lantau island, will provide for expan-

The railway will offer a high-speed service from the airport to the urban areas of Hong Kong and will help relieve congestion on the busi-

AIRPORT PROJECT ESTIMATES (HK\$m) Chek Lap Kok Airport 43,600 46,300 North Lantau Expressway Tung Chung Phase I Lantau Fixed Crossing 5,790 2,210 11,960 6,050 Route 3 (part) 10,010 2,230 4,150 22,160 West Kowloon Reclamation 9,000 1,700 3,900 12,500 West Kowloon Expressway Western Harbour Crossin Airport Railway Central and Wan Chai 1,800 1,900 2,827 Less:5 (2.900)Plus Interest and financing charges

\* At Marca 1991 prices § Amport railway works to be undertaken as part of the Lantau Fixed Crossing, Tung Chung Derelopment, North Lantau Expressivey, Route 3 and "Utilibee" projects. § Taking account of estimated inflation up to 1997

The latter would have been needed before long and, for just 20 per cent more, the Mass Transit Railway Corp (MTRC) will be able to build the airport

The need for the project is agreed by both sides but, bluster aside, China appears to have serious reservations. These are not only about the total financing bill, but also about the financial viability of the planned railway and various financial incentives the Hong Kong government plans to offer the key corporations building the project.

port has risen. In less than a year it rose nearly 14 per cent in real terms to HK\$112.2bn from HK\$98.6bn. In terms of "money of the day" estimates

which take account of the effects of projected inflation - the airport and related projects may cost HK\$163.7bn and, if interest and finance charges are included, threatens to reach HK\$175.3bn in current terms by the time it is com-

In addition, the government is prepared to stump up HK\$20.3bn in "callable equity"
- HK\$7.8bn for the Airport the MTRC in the event of project delay or poor economic cir-

But the Chinese regard it as a contingent liability on the future government of Hong

Kong. The Chinese government is also prepared to forgo HK\$2.8bn (in March 1991 prices) of dividends the MTRC

would have paid it over the period 1997-2001. The future government will also lose revenue from the airport in the form of a departure

tax and aviation fees which the present government gets.

The Chinese fear the future government's financial posi-

tion might be weakened by this loss of revenue. Hong Kong officials say these concerns are either solu-

ble or unfounded. The airport will be self-financing by day one; the MTRC has already convinced bankers to back the project. However, they say, every time they raise specifics the Chinese fall back

on generalities. Nearly three weeks ago, China made an offer to the UK. It could go ahead and award a HK\$8bn-HK\$10bn contract for the preparation of the airport site, while keeping open talks

on all other matters. Last Thursday the UK made a counter offer. Approve the financing for the airport and leave to later discussion Chiway. "Provided we can do a deal on the whole airport package the issue of callable equity is something we can deal with But we are not prepared to put have them come back with four or five other claims," said

one senior official. What lies behind the official's concern is that neither he, nor anyone in Hong Kong familiar with the discussions, believes finance is the real sticking point anyway and that Chinese concerns lie else-

They think China is withholding its consent because it is concerned that Mr Chris Patten, the colony's new governor, will include the liberal Mr Martin Lee's United Democrats, the stand-bearers of greater participatory democracy, in his cabinet. Democratic "contamination" from Hong Kong both before and after 1997 keeps Beijing's communist rulers awake

at night. So far Mr Patten has kept his counsel; he has taken the propaganda war to the Chinese, never failing to point out that the airport is in Hong Kong's and southern China's interest.

However, he is aware that he has things to do on the political front, including the reshaping of his cabinet. The day he opens the next

session of the legislature - Oc-

tober 7 - may prove critical

# Council members offer resignations to Patten

THE non-government members non-official member of the cabof Hong Kong's executive coun-cil, or cabinet, have offered their resignations to Mr Chris Patten, the colony's governor, Reluctant departures: A Vietnamese mother and her children are writes Simon Holberton.

that Baroness Dunn, the senior cial and four official members elected member of the cabinet. the autumn session of colony's islators.

inet, had written to him on July 13 saying that she and other non-official members would be happy to put their offices at his disposal.

of the executive council. The Mr Patten said he had taken "unofficials" include Baroness no decision on the offer, other Dunn, a leading conservative. Mr William Purves, chairman of HSBC Holdings, and Mr Andrew Wong, a university ted to reshape his cabinet

than to welcome the "generosity of spirit" in which it was made. But he is widely expec-

legislature on October 7. Since his arrival Mr Patten has stressed that his governand that he expects to take the initiative in winning support

# The recovery will take longer than expected, writes Robert Thomson

# Japan waits for economy's lucky number

HE numbers three, five and seven hold a spiritual significance for Japanese, who celebrate when their children reach these symbolic ages. But a saying now growing in popularity is that recovery will take three years for Japanese manufacturing, five years for the banks, and seven years for the property and securities industries.

vised as they board an aircraft under Hong Ko

voluntary repairiation programme for Vietnamese boat people

Having confidently expected a recovery in the autumn, Japanese industry is readjusting its sights, and even the opti-mistic Bank of Japan yesterday conceded in a quarterly forecast that "inventory adjustment", its euphemism for economic downturn, will take

longer than expected.

The realisation in recent days that recovery is still far in the distance has undermined confidence in Tokyo share prices, which fell 4 per cent on Monday and were weak again yesterday.

In part, the stock price weak-ness is a sign that Japanese companies, their sales slipping

and profit forecasts due for downward revision, are confronted by difficult restructur-ing decisions that can no lon-

February

ger be postponed. There is also a recognition that even if the ruling Liberal Democratic Party (LDP) wins finance ministry approval for a supplementary budget of between Y5,000bn (\$40bn) and Y8,000bn, the country will not reach the official target of 3.5 per cent economic growth for the year to the end of March. Private forecasts vary greatly, but the 2-2.5 per cent range has

become a popular target. Economic management remains a minor issue in the campaign for an upper house election to be held next Sun-

But politicians are under pressure from small business owners, who are feeling the financial pinch. A survey by the Small Business Credit Insurance Corporation, a government agency, found that the number of companies reporting difficulting in obtaining funds

INDUSTRIAL PRODUCTION\* January

was 13.8 per cent higher than those not having problems. Conceding that the next few years will not see a return to the easy money era of the late 1980s, several larger companies have announced reform plans. Brother Industries, the office equipment and sewing machine maker, is cutting its

product line by 30 per cent. Leading securities houses are reducing the annual staff intake, and steel makers are reviewing diversifications. However, many hard decisions on cutting staff and reducing products have been

relatively quick recovery. These decisions will not wait much longer.

Sanyo Electric has scaled down plans for semiconductors and Honda Motor may withdraw from Formula One The timing of the recovery is

crucial for the property sector, which needs an upturn in the spring to help apartment builders weighed down by heavy inventories and to assist banks which have accepted a postponement in interest pay-

Last week RIE International, the troubled developer, said it wanted to renegotiate Y740bn in debt. And Watakyu Kensetsu, a Tokyo apartment builder, admitted to being on the verge of collapse, owing Y145bn - its failure would be the largest for the year.

The Japan Association of Corporate Executives called on the Bank of Japan to cut the official discount rate, lowered by 0.75 per cent to 3.75 per cent

delayed in the expectation of a on April 1. The association said the need was underlined by the record low 0.9 per cent June

growth of money supply. The domestic downturn was also highlighted by a continuing expansion of Japan's trade surplus, with exports rising 10.5 per cent in June, a sign manufacturers are exporting excess production capacity.

Industrial production in May fell 1.9 per cent month-on-month, and 8.8 per cent year-on-year, and the capacity utilisation index fell back to 95.7, similar to the 1987 level. But Mr Masaru Yoshitomi, of the co-Economic Planning Agency, said these indicators are no cause for panic and, indeed, the economy is returning to something like the pre-"bubble" normal state of 1987.

"If you just look at the 3.5 per cent growth estimate, maybe you will get pessimistic. If you are prepared to accept 2.6 per cent growth, then maybe you would not be pessi-mistic," Mr Yoshitomi said.

# Call for end to postal monopoly in Australia

By Kevin Brown in Sydney

AUSTRALIA'S government-run postal monopoly should be exposed to competition from private sector express freight carriers, the Industry Commission said yesterday.

The commission, which advises the federal Labor government, has been the driving force behind much of the liberalisation of the Australian economy which has taken place since 1983.

Its attack on the Australia Post monopoly will be welcomed by freight carriers such as TNT, which has extensive

However, the report is likely to provoke widespread opposition from trade unions and con-

Mr Neil O'Keefe, who is chairman of Labor's parliamentary communications committee, said it should be dismissed

"out of hand". The commission said that the Australia Post monopoly on letters weighing less than 500g should be replaced by a maximum price set by the federal

government. This would allow the country's private sector to enter the reasonably priced service for experience of express delivery. customers in remote areas.

# S African sit-in arrests

AT LEAST 250 people were burg's Hillbrow Hospital and arrested yesterday during sitins around Johannesburg as the African National Congress kept up a mass action campaign against the government, Reuter reports from Johannesburg. About 200 demonstrators were detained at Johannes-

police station and a court. The latest arrests came as the UN special envoy, Mr

Cyrus Vance, arrived in Johan-

nesburg at the start of a mis-

sion to help restart the dead-

# ECD jobless total heads for 10-year high

UNEMPLOYMENT in the

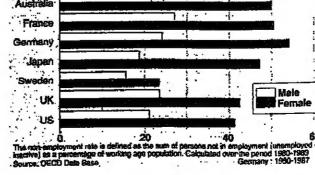
ment from 6 per cent to 7.5 per cent since 1990 has been less severe than following the second oil-price shock in 1979 - except in Australia, Finland and Sweden - "but still represents a disappointing reversal following several years of fallmg unemployment", said the organisation

Unemployment is expected to remain at 9.4 per cent in the EC until 1993; in the US it is expected to rise to 7.1 per cent this year before falling to 6.5

in its annual Employment Outlook, reiterated that OECD labour ministers should not be tempted to reverse recent moves away from passive support for the unemployed to active measures that improve the self-sufficiency of individuals and the functioning of labour markets.

year. However, the OECD finds little evidence of greater wage flexibility as a result of the European Monetary System.

Non-employment rates



peculiarities of the recession, tion of new jobs have been in including a large rise in non-standard employwhite-collar unemployment and, consequently, the narrowing of regional unemployment differences (except in Canada and France). The OECD also The OECD highlights several points out that a high propor-

ment - mainly time - which are less advantageous than permanent. full-time, jobs.

Other points highlighted in the report include:

· Continuing high "non-employment" rates, averaging almost 50 per cent for women and 25 per cent for men over the 1980s. Reductions in unemployment have often occurred at the cost of higher inactivity or vice versa. Over the 1980s relatively few countries lowered both labour force inactivity and unemployment. Female labour force participation rates

rose during the 1980s, but in most countries less rapidly than in the previous decade. A sharp decline in the labour force participation rate of the over 55s, representing an increasing waste in labour potential. Twenty years ago, in most OECD countries between 35 and 50 per cent of men over 55 were in the labour force. now the figure is between 20

and 35 per cent. Japan remains exceptionally high at 60 per cent and Italy at the other extreme on 11 per cent. The

OECD is critical of this development and says pension and social security arrangements should be reviewed to give older people greater flexibility.

• After a long-term decline. self-employment has grown to tural workforce, reflecting not only the development of entrepreneurship but also structural changes in labour markets. · Commenting on the rise of unemployment in Central and

eastern Europe to 4m earlier this year, the OECD says a further wave of job-shedding is to be expected. This may weaken the social

consensus for market-based reforms although unemployment social insurance schemes now exist in all countries. The implementation of active labour market policies has been limited by budgetary restraints and should be further decentralised.

### APOLOGY: GRESHAM TRUST p.l.c.

Investors Chronicle wishes to apologise for the embarrassment and damage caused to Gresham Trust p.l.c. as a result of an article appearing in last week's edition of Investors Chronicle.

In that article, Gresham Trust was referred to, in error, as a company with a negative net asset value per share. Investors Chronicle wishes to confirm that this was a case of mistaken identity. In fact. Gresham Trust's results for the 1991 year-end show that consolidated net tangible assets stood at more than £50 million and that, for the year ended on that date, combined consolidated revenue and capital profits before tax amounted to approximately £7 million. Investors Chronicle deeply regrets the embarrassment caused by this error and is happy to set the record straight.

# By David Goodhart,

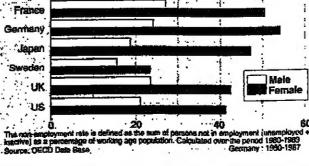
industrialised countries is expected to rise to 30m in 1992, its highest level since 1983, and will not start falling signifi-cantly until well into 1993, the Organisation for Economic Co-operation and Development

The rise in OECD unemploy-

per cent next year. The OECD,

Wage growth slowed the most in North America, Scandinavia and Australia where some of the fastest rises in unemployment have been occurring. Labour productivity growth in the OECD held up in 1991 despite the fall in economic activity. In the UK the rise in unit labour costs is expected to fall to 3.5 per cent this year and 2 per cent next

# Averages over the 1980s (Ages approx. 15 - 64) per cent



Greenspan takes up

cudgels for the Fed

But Republican senators, as

well as some Democrats, argued the Fed had cut interest

rates as low as it could, and

that what was needed was a

serious effort to cut the federal

budget deficit. Senator Jake Garn of Utah,

the banking committee's senior Republican, said: "While you

might have done some of the

things you did in terms of

interest rates sooner, you can't

hardly come down any lower with the discount rate."

George Graham

on a defence of

monetary policy

Mr Greenspan said struc-

Mr Greenspan said struc-tural improvements in the US economy. The rebuilding of banks' capital, the strengthen-ing of household finances, the restructuring of business hal-ance sheets — would be helped if the federal government made significant progress towards bringing its budget into hal-ance.

This would, he said, release

savings for productive private investment and brighten fur-

ther the prospects for contin-ued improvement in living standards.

Mr Geenspan said a large majority of his fellow board members expected economic expension of strengthen mod-

erately, from a range of 24-2%

per certifins year to a range of 24.3 perform in 1983.

This salound bein bring the memployment rate down to

R Alan Greenspan, chairman of the Fed-

eral Reserve Board,

took to the barricades yester-

day to defend his monetary

policy against several US sena-

tors who say interest rates

were cut too late. He told the Senate banking

committee that the Fed's

recent reductions in interest

rates "should help to shore up

the economy and, coming in the context of a solid trend

toward lower inflation, have contributed to laying a founda-

tion for a sustained expansion

of the US economy."
Structural problems in the economy have been "more

severe and more enduring than

many had previously thought," he said. Nevertheless, the Fed's monetary policy had succeeded

in "fending off the classic

'bust' phase that seemed invariably to follow speculate

booms in pre-second world war economic history.

"More rapid or more forceful

easing actions more than likely

would have been interpreted

by market participants as risk-ing a resurgence of inflation. That would have led to higher,

rather than lower, long-term

Mr Greenspan had to endure strong criticism from Senator Donald Riegle, the hanking

committee's Democratic chair-

man, who attacked the Fed's

inability to meet its monetary

growth targets. "I think the time has come for the Fed to.

admit that monetary policy

alone is not sufficient to deal

interest rates."

# Swiss entry threatens IMF balance

in Washington and

THE delicate balance in the International Monetary Fund between developing countries and the industrialised world is being shaken by a dispute over Switzerland's entry into the Washington-based organisa-

Switzerland bas for decades refused to join the IMF or the World Bank because of its strict policy of neutrality, but in May the Swiss government won a national plebiscite in favour of IMF membership.

Developing countries complain, however, that Switzerland is now reneging on a pledge made last year by Mr Otto Stich. its finance minister, not to claim a seat on the IMF's board to the detriment of developing countries. Diplomats in Washington say Switzerland's aggressive drive to obtain a seat could displace from the board the representa-tive of a group of mostly French-speaking African

Swiss Finance Ministry officials deny they are reneging on their pledge, but say the IMF must deal with the inevitable shake-up resulting from the entry of a country with its financial weight, as well as the republics of the former Soviet

IMF members with the largest quotas - the US, UK, Germany, France, Japan and Saudi Arabia – hold permanent board seats in their own rights. Other countries must form constituencies to elect the remaining 16 executive directors, with votes apportioned according to each country's

IMF quota. If Switzerland forms a con-stituency it would have enough votes to squeeze out a constituency currently composed of 24 African and Indian Ocean countries, most of them Francophone. Switzerland's quota alone, about 2 per cent of

the IMF total, would be more

than the 1.99 per cent mustered by the Francophone countries. This would upset the board's balance by adding, in the view of developing countries, another voice for the economic policies espoused by the Organisation for Economic Co-operation and Development, the Paris-based grouping of 24 industrialised nations, including Switzerland.

Swiss finance ministry offi-cials confirm they have had contacts with other countries, including Turkey, Poland and several former Soviet republics, about forming a constituency. They are optimistic one will be set up by the end of the

month. The officials acknowledge they promised not to eject a developed country from the board: indeed, they say it would be impossible as there is a convention requiring African groups to control at least two

But they also made clear their belief that a country the size of Switzerland should be represented. "We have written to the rules committee saying we want a seat, but as newcomers we do not feel we should propose solutions. It is up to them," an official said.

One proposed solution would be to add another seat to the executive board, which is already due to grow to 23 with the addition of a Russian direc-

While OECD countries gener ally feel Russia would side with other borrowing nations, some developing countries believe it will attempt to

behave like a superpower. But several leading countries - including the US, Japan and Canada - have indicated they would oppose creation of vet another seat for Europe, which already has three permanent and four elected executive directors.

Between them they have enough votes to block the cre ation of a new seat.

### COMPANY NOTICES

Repap Enterprises Inc. Notes Due 1997 For the period 16th July 1992 to 16th October 1992, the Notes will carry an nicrest rate of 4.375% per annum The amount payable per US\$250,000 will be US\$2,795.14 payable on 16th October 1992.

Agent Bank Barcleys Bark pic Stock Exchange Services Departmen 168 Fenchurch Street ondon EC3P 3HP

### **LEGAL NOTICES**

ns on Reduction of Share Capital and Share Premium Account Company No. 633000 REARTHE PROPERTY TRUST PLC.

having by Special Resolution reduced its expital and share premium account as confirmed by an Order of the High Court of confirmed by an Order of the High Court of Justice, Chancery Division, dued the 57th Jone 1992. Now detrefor I hereby certify that the said Order and a Minute approved by the Court water registred pursuent to section 138 of the Companies Act 1985 on the 7th July 1992. Gilven at Companies House, Cardiff, the 14th July 1992. Signed: MB May (Mrs.)
For the Registrar of Companies

Notate of Appointment of Administrative Receivers
CLEAR VIEW (DONCASTER) LIMITED Registered Number: 2210971. Trading Name: Clearwise Video. Trade Classification: 46. Name and address of joint administrative receivers: David John Stokes and Michael Joseph Moore, Cark Gully, 1 East Parde, Sheffield S1 ZET. Office holder numbers: 2682 and 5562. Date of appointment: 14 July 1992. Name of appointment: 14 July 1992. Name of appointment: Midland Bank pts. Siened DJ Stokes. Date: 14 July 1992. 1992. Name of appointer: Midland Ba Signed D J Stokes. Date: 14 July 1992

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Chancery Division Mr Justice Millers IN THE MATTER OF OCEAN WILSONS (HOLDINGS) PLC AND IN THE MATTER OF THE COMPANIES ACT 1985 NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) deed 6th July 1992 confirming interals the metactice of the capital of the abovenamed Company from £5,000,000 to £60,032 and the Mirota approved by the Court showing with respect to the capital of the Company as abarred the average particulates required by the above-meanioned Act were registered by the Registrar of Companison on 10th July 1992. Dated this 22nd day of July 1992 Naberro Nathanson, 30 Strates Street, London WIX SPL. Telephone: 071-463 9633 Ref. 64/AOC/PEG/0302/1 Solicitors for the Company

INSOLVENCY ACT 1986
NOTICE TO CREDITORS
ENGWAY PROPERTIES LIMITED
(In Members' Voluntary Louistation)
NOTICE I'S HEREBY GIVEN must receive reasons of the
above remed company are required on or before the
11st day of August 1982, to send their neares and
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Pur 32 NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS 188 Cdy Road London EC1V ZNU

# The Guide to U.K. **Property**

The Financial Times proposes to publish this Guide on 9th October 1992. For editorial synopsis and advertising details, please contact:

> Peter Shield on: 071 873 3284

Or write to him at: Financial Times. One Southwark Bridge. London, SEI 9HL.

# against **Collor hits**

Collor to a confidant who is tion for alleged corruption.

The documents showed that cheques from EPC, a consulting company owned by Mr Farias, had been found in an account belonging to Ms Ana Acioli, Mr Collor's personal secretary who handles the president's expenses.

The new evidence has strengthened the hand of Mr pushing for impeachment.

a growing revolt within his administration.

# Peru rebel group calls strike

PERU'S worst wave of terrorist bombings in 12 years is likely to ensure widespread support for an "armed strike" called for today by the Sendero Luminoso guerrilla group, writes Sally Bowen in Lima. Messages painted on shantytown walls are warning inhabitants of Lima and key provincial cities they risk death if they attempt to turn up for

In the past few days Sendero has intensified its campaign of terror in the capital. On Monday night a car bomb wrecked Lima's Institute for Liberty and Democracy, killing at least four passers-by and a

security guard.
Last Thursday night a 600kg
car-bomb devastated part of
Miraflores, an affinent suburb

Jeil in 1 ils

# 'Evidence' markets

drop in the country's stock market yesterday, agencies report from São Paulo.

government. New evidence has linked Mr

under congressional investiga-Lawmakers received docu-ments from the central bank late on Monday which alleg-edly indicated Mr Paulo Cesar Farias, Mr Collor's 1989 cam-

Mr Farias is suspected of taking millions of dollars from companies who later received

ing millions of dollars in per-

sonal expenses for the

At least six "ghost" depositors - people using false names and taxpayer identifica-tion numbers – also funnelled money into Ms Acioli's account. The "ghosts" are believed to be fronts for Mr Farias, congressional leaders

The president has said he never took any money from Mr Farias, and that the two broke off contact in

Collor's opponents, who are

in Lima. Seventeen people died and more than 100 suffered severe injuries. Hundreds of homes were evacuated, and 80 shops and a dozen hotels were badly damaged.

# US rate cuts have laid 'foundation for sustained economic expansion'

NEW allegations of corruption in Brazilian President Fern-ando Collor de Mello's govern-ment set off another sharp

The São Paulo stock market dropped 5.6 per cent during morning trading as the controversy undermined confidence in the president's two-year-old

paign treasurer, has been pay-

government contracts.

Meanwhile, Mr Collor faces

Vice-President Itamar Franco, who would take office if Mr Collor was forced out, is no longer on speaking terms with the president.

### Twelve experimental vaccines designed to protect people from HIV infection are producencouraging results in small numbers of healthy volunteers, the world conference on Aids heard yesterday, writes Clive Cookson. The clinical trials show a wide range of dif-

yesterday to Aids doctors around the world to look out for people with the symptoms ferent vaccines can raise some immunity to HIV, without side-effects. But none has yet been of Aids but no sign of HIV, the virus that normally causes the Dr James Curran, director of not detect, then new tests' the US Centres for Disease might be needed to protect the public blood supply from con-Control (CDC) in Atlanta,

Alan Greenspan: endured strong criticism from senators

However, Dr James Allen, Aids programme director of the US National Institutes of Health, told a press conference after the session: "What we have heard does not in any way threaten the safety of the blood supply in the US or in west European countries, that have systems to protect it from infectious agents."

Before the Amsterdam meeting started, Dr Curran knew of York, had 11 patients from six people who had the New York and Los Angeles — severely depressed immune mostly homosexual men — systems that characterise Aids — who had few immune cells and but in whom scientists could suffered from various secondfind no trace of HIV. de intensive testing with all

known techniques. At an emergency conference session other US Aids specialists described cases in which they could detect none of the known strains of HIV.

Dr David Ho, of the Aaron

tested on large groups of high risk people. Dr Daniel Hoth, director of the Aids division of the US National Institute of Allers' and directions Diseases, said it was time "to prepare structure" for trials involving groups of 2 5,060 people, in developing and developed of tries.
These could start as soon as 1994/95.

Diamond Foundation in New

ary infections Dr Jeffrey Laurence of Cor

nell University gave details of five patients from New York, four of whom had none of the usual risk factors for HIV infection such as multiple sexual partners or intravenous

Aids symptoms seen in patients without H A few other doctors from the US and Europe said they had some patients who seemed to

fit the same pattern.

the fourth quarter of this year,

and 6% and 7 per cent at the

He warned that the neces-sary structural adjustments

after the overbuilding, over-

buying and overleveraging of

the 1980s would continue to

hamper economic growth,

although the situation had

this process as the economy

struggling against a 50 mile an hour headwind. Today its

speed is decidedly less, but still

Mr Greenspan said the Fed

was making progress in under-standing changes in financial behaviour that have contrib-

uted to the slow growth of the

M2 and M3 broad monetary

aggregates. He said households had been

restructuring balance sheets,

channelling cash flow away

from monetary deposits and

into other assets, or paying off:

This process, although it had:

powerfully depressed the

growth of the money supply.

had exerted a less powerful constraint on spending; Instead, the velocity of circula-

tion of the monetary aggre-

gates, especially M2, had

If this continued, Mr Green-

span said, the Fed would have

to reassess its target ranges for

monetary growth. In the mean-time the Fed had decided to

maintain its current ranges of .

2%-6% per cent for M2, 1-6 per cent for M3 and 4%-8% per

appreciable," he said.

"Last year I characterised

end of 1993.

improved.

debts.

The emergency session was arranged after the US mage zine Newsweek published an article questioning whether a new Aids virus was emerging. Dr Curren was attacked by some Aids specialists at the meeting for not taking the ini-tiative and releasing details of the six patients studied by the

But Dr Curran said the cases cern as they were not connected and did not suggest the early signs of a new epidemic, as the first reports of Aids in homosexual men had in 1961. He pointed out that the US had 250,000 cases of Aids in which

# Menem shies from re-election Falklands picks groups

By John Barham in Buenos Aires

By Clive Cookson

A US scientist appealed

requested the details at the

world Aids conference in

Amsterdam so that scientists

can determine whether a new

virus is causing an Aids-like

emerged of people with the symptoms of Aids but no sign

of the virus. If it is a different

virus, or a mutation of HIV

that existing techniques can-

About two dozen cases have

in Amsterdam

PRESIDENT Carlos Menem of Argentina has begun distancing himself from a campaign to amend the constitution and win him the right to run for re-election, vowing instead to deepen his free-market

On Monday Mr Menem said in a speech that he wanted to "open this new stage [of gov-ernment] with grandeur, without thinking of future ambitions, without hegemonic temptations, without delirious

dreams of perpetuation."
The president, who earlier this month reached the midpoint of his six-year term in office, had hoped to remove a constitutional ban on successive presidential terms by calling a national plebiscite later

However, the plan ran into strong opposition from the opposition Radical party, from members of his own Peronist party and from the business

With his speech Mr Menem has stated that he recognises a constitutional amendment is

impossible to secure at the moment, and has promised to dedicate the second half of his THE FALKLAND Islands term to broadening reforms. Mr Menem's decision represents a victory for Mr Domingo Cavallo, the economy minister,

his reforms to buy political backing for re-election.

The president's pledges coincide with growing public disen-

and a defeat for some of the president's close allies and a faction of the Peronist party which had urged him to dilute

chantment with reform, as the economy slows and real incomes decline.

# for Atlantic oil search allow results of the survey to

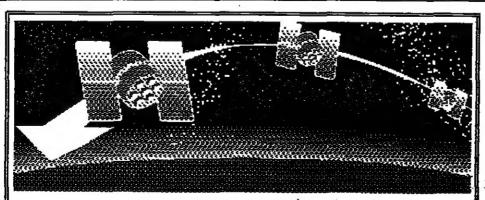
government has chosen two companies for a multi-million point seismic study of territo-rially disputed waters in the South Atlantic from October, South Atlantic from October, confirming its decision to exclude Argentina from the initial search for oil write Jimmy Burns in London and John Barham in Buenos Aires.

But in a mere which could lessen potential conflict between London and Buenos Aires over the jesue Fulbland.

Aires over the issue, Falkland

Islands officials have agreed to

be made available to oil compa nies operating in Argentina. The UK Foreign Office is expected soon to give its formal seal of approval to the licensing arrangements between the islands' government and the two companies, Spectrum of the UK and Geco Prakta, a subsidiary of the New York based energy services group Schlumberger. Revenue from the sale of results will be shared between the companies and the Falklands government,



On the 6th October the Financial Times proposes to publish a survey on

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FINANCIAL TIMES

# Who's the most sadistic at the bullfight?

The torturer. The executioner.

The spectator.

The torturer (otherwise known as the picador) stabs the bull in the neck with a steel-tipped lance.

This is done to weaken the bull's neck muscles.

The executioner (or matador) has a long, curved sword.

It's his job to plunge the sword down between the bull's shoulder blades and into its heart, to kill it.

Usually, the sword misses the heart and so fails to kill the bull.

The animal eventually collapses and the matador severs its spinal cord with a dagger.

This results in paralysis, followed by death due to asphyxiation.

The whole spectacle lasts for about 20 minutes and is performed solely for the gratification of the spectator.

The one who pays to sit and watch.

The one, without whom, there'd be no picador and no matador.

Without whom, there'd be no bullfight.



If you're going to Spain, don't go to the bullfight.

THIS ADMEDITISEMENT IS COLDINGED BY THE BOYAL SOCIETY. THE SCOTTISH SOCIETY AND THE ULSTER SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS AND THE INTERNATIONAL FUND FOR ANIMAL WELFARE

when the Tories' election cam

paign was at a low ebb." Subse

quent checks revealed the alle-

gations to be untrue, the

One Labour party official

seized on the allegation as pro-

viding proof of many years of

"collusion" between the Con-

servative party and the Fleet Street tabloids intended to den-

igrate and abuse their political

However, Lord Tebbit, a for-

mer Conservative chairman,

said that it was more likely

that a minister had merely dis

cussed rumours with The

Sun's editor.

Arguing that it was time for a "truce" between the govern-

ment and the newspaper

industry, he said he could

not conceive of a way to

draw up water-tight regulations to enforce privacy

editorial said.

opponents.

# 'Dirty tricks' during election alleged

By Ivo Dawnay, Political Correspondent

THE government was thrown on to the defensive yesterday after allegations of "dirty tricks" during the general election forced the entire cabinet to deny their involvement to a inquiry by the Conservative Central Office, the party's head

The claim by Mr Kelvin Mac-Kenzie, the editor of The Sun newspaper, that an unnamed "prominent cabinet minister" had offered him inaccurate information concerning Mr Paddy Ashdown, leader of the centrist Liberal Democrat party, prompted an immediate row at Westminster.

It came as Mr David Mellor. the embattled national heritage secretary, struggled to resume normal working at his department in spite of continued press investigations into his relationship with 31-yearold actress, Miss Antonia de

After a day long investigation, including emergency talks between Sir Norman Fowler, the Conservative party chairman, and the prime minister yesterday afternoon, Central Office released a statement last night refuting The Sun's

It said that both Mr Chris Patten, the Hong Kong governor then party chairman, and Lord Wakeham, who was also responsible for press liaison during the election, had "categorically" denied the claims as had every other cabinet minister. Mr Kenneth Baker, now retired from the cabinet, had associated himself with the statement and efforts were underway to contact previous ministers Mr Peter Brooke.

Lord Waddington and Mr Tom

however, to satisfy opposition parties who earlier yesterday demanded a full explanation from the government.

Mr John Smith, the newly elected leader of the opposition Labour party, called on Mr MacKenzie to reveal the name of the minister, saying that if the charge was true it was quite disgraceful".

He added: "I don't know how a cabinet minister who did anything like that can possibly remain in his post." The Liberal Democrats ech-

oed his remarks, saying that the allegations were an "extremely serious matter" A statement concluded: "It is now up to the Conservative party to clear this matter up and they should do so as soon

One senior cabinet minister privately agreed that The Sun editor's claims, made in a front

The denials are unlikely, page editorial yesterday, had come as a severe embarrassment to the government.

Admitting that a resignation would be inevitable if Mr Mac-Kenzie's claim was substantiated, be added: "These are dangerous times."

Mr Mellor was battling yesterday to return to normality amid further press reports on his relationship with Miss de Sancha. For most of the day, his predicament was all but side-lined, however, by the storm of indignation over The Sun's claims.

In his editorial, Mr Mac-Kenzie alleged that in the second week of the election campaign he received a telephone call from a cabinet minister offering the names and addresses of three women allegedly linked to the Liberal Democrat leader.

It went on: "It was no coincidence that the smear on Mr

# Pressure on home loan rates remains say lenders

By David Barchard, Emma Tucker and Ivo Dawney

BUILDING societies, the UK's home loan institutions, warned the government yesterday that they were still under pressure to put up their interest rates despite the Treasury's decision on Monday to cut interest paid on the National Savings First Option Bond.

The warning coincided with figures showing that they had a net outflow of £314m from their savings deposits in June, the worst monthly figure in

nearly six years. Fears of a further rise in mortgage interest rates sub-sided during the day as Cheltenham & Gloucester, the sixth largest society, announced that it would not now go ahead with a planned increase from 10.75 per cent to 10.99 per cent in its standard mortgage

Yesterday saw little relief for sterling. The pound remained weak against the D-Mark. After falling early, it rose in late trading to close unchanged on the day at DM2.8425. As the threat of mortgage rate rises receded, shares ended mostly firmer in London. The FT-SE 100 index of leading shares

closed up 11.9 at 2.415.6. Against a background of growing worries about the economy and pressures on public finances. Mr John Major, the prime minister, will spell out the tight restraints on this year's public expenditure round at a special meeting of the Cabinet today. He is expected to reiterate his warning to colleagues that tax cuts at the end of the current parliament are entirely dependent on austerity measures now.

 Tenants of local authority housing will soon be able to convert rent payments into part ownership of their homes, according to a government consultation paper. The rents-to-mortgages

scheme, an election promise, is simed at local authority tenants in England and Wales who cannot afford to exercise their full right to buy.

# **Britain** in brief

# Ulster police chief calls for special units

Sir Hugh Annesley, chief constable of the Royal Ulster Constabulary, last night called for the setting up of two new national police units to fight terrorism and major crime. He said there was an urgent need for units with a remit

outside the jurisdiction of

local chief constables and

police authorities. The national anti-terrorist unit he proposed would pro-vide a single police and intelligence focal point for liaison with the RUC, police in the Irish Republic and forces and intelligence services in Europe and North America. Such a unit would incorporate the security service, Metropolitan Police special branch and antiterrorist unit and also include the work of military and cus-foms personnel. He said a single national crime squad was

### Regeneration agency launched

also required.

The government's Urban Regeneration Agency. launched yesterday, will ensure that the programme for bringing 150,000 acres of dere-lict land back into use was more focused and more effective, said Mr Michael Howard,

environment secretary. He is preparing legislation on the new agency, expected to start in about a year's time. Its annual budget will be about 2250m, but ministers emphasise they expect it to trigger up to five times that amount in private sector investment.

Virgin outlines train plans

Virgin Group, the airline company headed by Mr Richard reserves of 143bn cu Branson, has submitted and is due to start production of the contractors of the contracto

trains a day each way between London and the north from

next summer. The company aims to take advantage of the privatisation of British Rail by setting up a network of inter-city services using trains leased from BR. It hopes to lease four InterCity 125 diesel trains from BR, refurbish them to airline standard and put them into service on London-Scotland routes.

### Review urged of dam decision

Shareholders in the proposed £1bn electricity generating dam between Liverpool and the Wirral in north-west England are to press the government to change its decision not to back the plan for the barrage harnessing the Mersey's tides.

They said the government has misunderstood the project's finances and there would ultimately be no cost to public funds. If it went ahead, the barrage would raise about 30 per cent of its construction costs in one group of loans, based on electricity revenues of 3p a unit. Shareholders want the remaining £700m as another group of loans underwritten by the non-fossil-fuel levy added to electricity bills to develop renewable energy.

### Yorkshire pits threatened

The future of two Yorkshire coal mines employing a total of about 1,800 men is uncertain, British Coal said.

Kellingley, once known as "the big K", needs big cuts in b manpower if it is to survive and Sharlston, a smaller pit also in the Selby group of mines in North Yorkshire. was in a "very serious" situation.

### Gas field given go-ahead

The government has given the go-ahead for development of the Hyde gas field in the North Sea 40 miles east of Humberside. The field, being developed by BP, the Norwegian stateowned oil company Statoil, and main contractors UIE Scotland and Kvaerner H&G, has proven reserves of 143bn cubic feet. and is due to start producing

# Holiday rescue fund proposed

By Christopher Price

THE government yesterday proposed a central rescue fund for the UK package tour industry, financed by a levy on unprotected passengers.

The government move is designed to satisfy a European Community directive, due to be implemented by the end of the year, which wants all types of package tour customers to be protected from fraudulent

or bankrupt operators. The fund, guaranteed by operators bonds up to an estimated £150m, would be used to repatriate customers stranded overseas by insolvent tour operators.

The levy - probably around 1 per cent of the package price, according to industry sources - would be raised from those package travellers not insured under existing industry arrangements, such as ferry and coach passengers.

At present, the UK travel industry offers protection only to companies which are part of industry trade associations, such as the Association of British Travel Agents, with members guaranteeing around 10 per cent of their turnover in

Some 90 per cent of the 11m overseas package holidays sold annually in the UK are covered by this type of industry safety arrangements.

Yesterday's proposals would extend that coverage to all forms of organised package travel, expecting tour organis ers to provide insurance for any type of trip that is deemed pre-arranged and pre-paid. These would include both domestic and foreign holidays as well as some business trips and social club outings.

The idea of a new central fund and levy came from the five travel and holiday trade associations who dismissed the governments original propos - which included standard insurance policies - as too expensive and likely to drive small operators out of busi-

The central fund will, in effect, cost the companies very little since most banks run special insurance schemes on behalf of clients, as security on



# Neglect leaves historic buildings at risk

In spite of 2500,000 in grants, Brighton West Pier on the south coast (above) still needs 26m to repair damage from storms in 1987.

It is just one of many listed historic buildings and ancient monuments in England that are at risk because of lack of reliable information and slack financial monitoring, the National Audit Office says in a report published today.

The watchdog on government spending criticises the Environment Department, which spends £120m in grants; English Heritage; and other agencies for a backlog in repairs and conservation. It accepts there has been progress in the presentation of some of the UK's leading tourist attractions.

# **NEWS:** WORLD TRADE

# on foreign companies

hurt US' CONGRESSIONAL proposals to increase taxes on US subsidiaries of foreign companies would hurt the American economy and undermine US tax treaties, according to testimony yesterday before the House Ways and Means Com-

'would

mittee, writes Nancy Dunne. Mr Evan Galbraith, chairman of the Board of LVMH Moet Hennessy Louis Vuitton and former US ambassador to France, vigorously attacked a bill he said would discourage investment and cost US jobs. To impose capital gains tax

on direct investment, impute taxable income where none exists, tax insurance coverage, circumvent our treaty obligations and discourage American penetration of overseas mar-kets is intellectually and economically indefensible," he said. "This bill is simply another manifestation of protectionism." To counter past charges that

foreign-owned subsidiaries are avoiding US taxes, the Organi-sation for International Investment released a new study. conducted by KPMG Peat Marwick, an independent account-Ing company, which concludes that there is little difference between foreign and US firms. Between 1983 and 1988 for-

eign-controlled companies paid an effective tax rate of about 2.1 per cent on average compared with an average rate of 2.2 per cent for major US subsidiaries, the study said. The difference is attributed to high start-up costs decade and a sharp depreciation of the dollar which raised the costs of doing business in the US.

In 1988, the latest year figures are available, US subsidiaries paid \$5.8bn (£3bn) in federal income tax, up 58.6 per cent from 1983.

Non-US companies, already upset about hostile Congressional sentiment to foreign business, are alarmed about proposals by Governor Bill Clinton, the Democratic presidential candidate, to raise

# Tax rise US steel's dumping complaints sound familiar

But their outcome may not be a successful appeal for protection as in the past, writes Nancy Dunne

OREIGN steel manufac-turers could be excused a sense of dejà ou with the filing in the US last month of a formidable array of trade cases alleging that they have been dumping subsidised steel products in the US market. The same tactic was used or

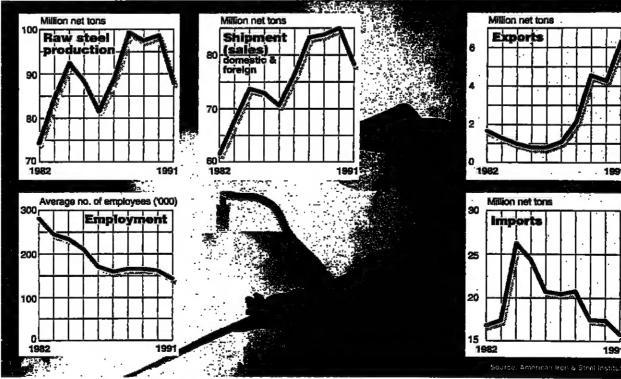
threatened in 1977, 1982, 1984 and 1989, and in the end foreign competitors agreed to provide protection for US steel producers through "voluntary

This time around 12 steel producers - including the six largest in the country - have filed 84 cases against companies in 21 countries. But because many mills have withdrawn from other production, the complaints target only flat-rolled carbon steel, which accounts for more than 60 per cent of all steel shipments (sales) in the US.

The tenor of the complaints is familiar. Worldwide overcapacity and a softening steel market has made it attractive for producers to "routinely and systematically" dump in the US market "far below fair market value and often below the cost of production".

This along with "massive foreign subsidies" helped the US industry to a \$2.2bn loss last year. While foreign governments have been aiding their industries to restructure. US steel has had to do it alone. In just 10 years it has slashed employment by 58 per cent - 225,000 jobs.

The last decade has brought other changes which make questionable any assumption that the trade complaints will bring the industry the beneficial results they have in the



Although the US economy is weak, it is in better shape than in 1982. Interest rates are low; inflation is under control. After 7% years of the "voluntary quotas", the industry - alded by the weak dollar - has become an exporter.

Lawyers representing foreign clients are much more confident that this year they will not be drowned in the tidal wave of complaints. They say it will be difficult to prove that the US industry has been injured by imports when American exports have risen steadily since the mid-eighties.

Meanwhile, according to Eurofer, the EC steel industry organisation, US imports have dropped from 26m tonnes in 1984 to an annual 17m tonnes. During the last three years, the EC exported no more than 70 per cent of its quota share. The "heart" of the American "problem", Eurofer claims, is low prices, driven by domestic competition and indirect subsidies, such as tax breaks. Mr Pierre F. de Ravel d'Es-

which determines injury, has become "much more professional, more lawyerly and judicial". By often overruling the ITC, the district courts and the Court of International Trade have forced the commission to pay close attention to the evidence that is in the record. Meanwhile, the commerce department - which deter-

mines the existence of subsidies or dumping - has also been disciplined by the courts. In 1982, it was "a babe in the woods" playing politics, said Mr de Ravel. Its proceedings are more court-like and its rul-

ings more consistent and less "arbitrary and capricious". Although it costs the US industry between \$500,000 to \$1m to bring a trade complaint, the investment has in the past always paid off in higher prices

- . 1991

and, ultimately, protection. This time, however, it is taking more of a gamble. It has faced an outpouring of indignation from its closest trading partners - many of which, such as Japan and Korea, provided much of the \$23bn for the US industry's. new investment over the past

ago, according to Mr Thomas Usher, president of US Steel, who yesterday told the US International Trade Commis-sion (ITC) yesterday that "per-nicional" trade presidents nicious" trade practices have been injuring the US industry, Matt Kaminski writes from Washington. "The agony of the American steel industry has become part of the national folk lore," said

US steel prices, in real terms.

are lower now than a decade

Mr Alan Wolff, an Industry lawyer. The PTC was weighing testimony from US and foreign steel manufacturers for its preliminary roling on injury, due next month.
Although US exports have

been rising, they face closed markets in the EC and eastern Europe, American steel offi-

American steel exports must now face 27 countries with their own dumping laws. Can-ada filed four cases immediately after the US action-Mexico had two already under way. (Trade lawyers say that, because of its weak currency and industry losses, the US is particularly susceptible to charges of dumping and that the industry could be found guilty of receiving indirect sub-

sidies.) President George Bush has virtually sworn that no more protection will be forthcoming. He might be vulnerable to election year pressure, but this time, before agreeing to voluntary restraint agreements (VRAs), the defendants are more likely to see the entire complaint process to the end. That will not come until after the November election

# | EC, Brazil agree more talks on milk duties

By Frances Williams in Geneva

THE European Community and Brazil agreed yesterday to try again to resolve differences over anti-subsidy duties

imposed by Brazil on imports of EC milk powder.

The EC had asked for conciliation by the subsidies com-mittee of the General Agreement on Tariffs and Trade (Gatt), which met yesterday. as a preliminary step towards calling for an independent panel investigation. The committee asked the two sides in continue consultations on a mutually acceptable solution. but if these fail the EC can ask

for a panel after 30 days. The Community claims Brazil imposed the provisional 31-52 per cent countervailing duties in April without observing procedures laid down under Gatt's subsidies code and without establishing that the imports had in fact injured Brazilian producers.

Brazil yesterday denied the claims, and said it would sup ply to Brussels evidence or subsidies by the EC, the harm done to domestic industry and the link between the two.

The row is yet another example of the trade friction generated by failure to complete the Uruguay Round of Gatt talks, which includes a revised version of the subsidies code. Brussels claims Brazil, and also Argentina, are flouting existing rules because they are angered by the Uru-guay Round impasse over farm trade reform.

# UK trade minister starts visit to HK and China Sweden warns on trade

clapon, who represents France's Usinor-Sacilor, says the US International Trade

Commission (FTC), the body

minister, arrives in Hong Kong today for an eight-day visit to Hong Kong and China intended to pave the way for a UK industry mission in November, writes David Dodwell.

Mr Needham has flagged the mission as "the most important trade mission this country has ever seen to China." In Hong Kong, Mr Needham will discuss export opportunities and the terri-

tory's role as a springboard for busi-

MR Richard Needham, Britain's trade ness in China and across the Pacific to China – which was worth £300m. Rim, a region "which offers the British economy and British companies the biggest opportunity for growth of any

area in the world," he said yesterday. While in China, Mr Needham's discussions on bilateral trade will dovetail with the forthcoming talks with the Overseas Development Administration on a new line of concessional aid and the avallability of export credit cover to China. Britain's second line of credit - has now been used up.
"I am anxious that China fully

understands that the British government, commerce and industry are taking a long-term view of building business across China in a whole range of sectors," he said, conceding at the same time that Britain had failed to exploit Hong Kong effectively both as a market in its own right, and as a spring-board for business in China.

Hong Kong is Britain's 15th largest export market, with exports rising by 13 per cent last year to £1.39bn, and a. further 22 per cent up to May this year, Mr Needham said. Britain's exports to China fell last year by 40 per cent to £322m, but are understood to have railied by 20 per cent in the first five

months of this year. The visit will be the first to China by a British trade minister since the Tien-anmen Square massacre in June 1989.

### THE Swedish Export Council has warned companies that

they should export to the former Soviet Union only on an advance-payment basis, after a survey showed unpaid debt to Swedish firms had nearly doubled in six months. Reuter reports from Stockholm.

in its survey covering 32 Swedish companies, the export

Soviet Union, mainly Russia, grew to Skr456m (£44m) in June from Skr256m in January. "Our general recommendation is that Swedish companies should demand advance payments or bank guarantees before delivering any goods," Mr Staffan Stenstrom at the

export council said.

Swedish exports to the former Soviet Union totalled Skr2.3bn in 1991.

# Damian Fraser meets the man charged with modernising Mexico's telephone service

# Quest for good connections

recently-privatised tele-phone monopoly, has one of the costs and optimise investment. Last most demanding jobs in Mexican year, Telmex cut heavily invento-business: to turn the woefully inefficies of cables and other equipment

to meet - under pain of penalties

'quality of service" targets. up the challenge facing Slim and .. his two foreign partners, Southwes-tern Bell and France Telecom. "The owners of Telmex have a gun at their head. By 1996, there has to be

a world-class telephone service at has been too keen to cut costs for international prices." Or, he director save stocks of some implies, there will be trouble.

Slim, the son of well-off Lebanese parents, has become probably the 199icausing disruption. country's richest businessmen. Slim is also criticised for centralthanks to a series of shrewd acquisitions of under-priced Mexican companies in the mid-1980s. He describes his business philosophy as "low costs and low overheads". to which others add tough, and sometimes rathless, negotiating. Slim's most significant, and controversial, managerial impact has

arios Slim, the Mexican been in his negotiations with supbusinessman who controls pliers, that he says reflects the busi-Telmex, the country's nessman's as opposed to the pubthat in many cases were equivalent

cient Telefonos de Mexico (Telmex)
into a modern, internationally competitive telephone company by
August 1996.

On this date, Telmex's lucrative
monopoly on long-distance and international calls runs out.
Between now and then, Telmex has in stalling central forces for installing central forces for installing central forces.

- saving about \$250m a year. a series of government-mandated in the 18 months since privatisa-quality of service" targets.

Jacques Rogozinski, who was in for Telmex's investors. Costs have charge of privatising Telmex, sums risen much less than analysts predicted, and the controlling group's original 20.4 per cent stake is now worth about \$6bn, compared with \$1.76bn in December 1990.

> mex director says stocks of some key parts ran out at the end of

ising labour, management and purchasing decisions in Mexico City. Telmex, when in government hands, had decided to divide itself into regional and fairly autonomous profit centres. The decision to recentralise may have cut financial and operating costs but, says the ability of the company to respond to

Perez Simon says that now the combetter telephone service than most pany has identified most of the cost parts of the US."

Such criticisms are strenuously rejected by Slim, and Juan Perez Simon, Telmex's general director, but there is little argument that service has yet to improve. In 1989, the year before privatisation, Mexico's consumer protection agency received 13,277 complaints about Telmex – ranging from over-billing to shortcomings in its service. In 1991, complaints increased to 63,996, and in the first quarter this year there were another 21,822. Telmex receives about 40 per cent of all consumer complaints in Mexico.

savings, its priority is to improve quality. In this the management's hand has largely been forced. In return for extremely light regulation of prices and generous tax treatment, the government has required Telmex to invest \$2bn-\$3bn a year to improve service. As a public company Telmex was starved of cash and unable to invest sufficiently to improve service. Telmex is thus investing nearly

\$8bn from 1991 to the end of 1993 in increasing the number of lines to 7.5m, from 5m in 1990; installing

The owners of Telmex have a gun at their head. By 1996, there has to be a world-class telephone service at international prices,' says Jacques Rogozinski. Or, he implies, there will be trouble

unison, that the company did not deteriorate overnight and it is not going to improve overnight either. Technologically, Telmex matches the position of most US telephone companies in the 1970s - using mostly unreliable analogue technology that requires, for example, 12,000 operators to fill in by hand 8m long-distance billing tickets every month. There is still a backlog of about 1m lines, and the

The management says, almost in 13,500 kilometres of fibre optic cables which will connect just about all long-distance calls; and replacing old central exchanges with automatic digital ones, so that by 1993, 60 per cent of local exchanges will be digital, from 29 per cent in 1991.

By 1996, every city in Mexico will have digital telephones and just about all long-distance calls will be relayed through fibre-optic cables. "Mexico," says Perez Simon "will

Slim evidently does not believe that this would have been possible under the old management of Telmex. Since taking over the com-pany, he has fired 13 of the top 17 directors and brought in some of his colleagues from Grupo Carso - the sprawling tobacco-to-telephones conglomerate that he runs from a four-man office in Mexico City. He has also brought in hundreds of managers from Southwestern Bell and France Telecom.

Slim suggests tactfully that the previous managers - all public sec-tor employees - "did not have a vocation for business". John Atterbury, head of Southeastern Bell's Mexican operations, puts it differently. "The whole management style is different," he says.

The result, according to Atter-

bury and Slim, is a host of improvements that have cost little money, and two of which exemplify the company's commitment to better

· Before privatisation, it was difficult to report telephone faults to Telmex since there was no operator to answer the phone. So the new management negotiated with unions to double the number of operators working in this area. Now customers can at least report broken phones, even if they are not fixed any sooner.

2,160 6.0 5.2 1,770 France 43.2 1,760 8.3 Poland 9,150 30.4 Venezuela 7.6

aiming to install phones within 30 in the way they plan telephone days. By the end of this year, says switches. Before, if we had to install Atterbury, 40 per cent of phones will be installed in under 30 days. The change in Telmex is apparent

to Mexico's two main suppliers, Alcatel and Ericsson. "Telmex is much more customer-service orientated than before," says Rodrigo Calderon of Alcatel. "All they now have to put in place is the hardware to meet customer needs." Jorge Arredondo of Ericsson agrees. He have by 1996 as good as or even Starting in Puebla, Telmex is cites, for example, a "drastic change

600,000 lines we had to go to 800,000 places; now we have to go to half

that many."
Both these suppliers have lost most from Slim's tough, bare-bones approach to running Telmex, with their profits dropping sharply last year. What is still unclear is whether the ultimate beneficiaries will be, as of now, the owners of Telmex stock, or Telmex's long-suf-

### pricing "time bomb" is ticking under the profitability of many companies in Europe. By depressing product and service prices across the European Community to the lowest national level, it could threaten their very existence if

they do not act quickly.

That is the Armagedon view of
European pricing expressed by two
leading German business academics, Professor Hermann Simon and Dr Eckhard Kucher. They blame pressures to create common cross-border pricing which they say are being exerted by parallel importers and strong retailers.

The only way out, they argue, is for companies smartly to raise prices in their cheapest markets, or to quit those markets altogether. In an article in the summer issue of the European Management Journal\*, the two academics say that • Cross-border retailers are still cach company must also establish a few and far between, and that

# Armageddon view of European pricing

Christopher Lorenz takes issue with a scaremongering study of company profitability

contrally-calculated "European national retailers show little interprice corridor within which prices est in harmonising purchase prices; in each of its national markets

One degree of parallel importing must be set.

There is, however, a much less nightmarish view of the situation. It has been gaining ground among manufacturers since their panic a few years ago over the approach of the European "single market". In a phrase, it is that reports of the death of national price differentia-tion have been greatly exaggerated. This school of thought argues that the fear of standard European pricing fails to take account of sev-

eral important factors: that • Cross-border retailers are still

is still very limited; • The number of products in different European countries which

are similar, let alone identical, is also limited; • Identical products tend to be positioned very differently in dif-

terent countries; · Distribution and retail patterns, and therefore pricing pressures, vary widely from market to mar-

• There is even a trend for different retailers within the same country to demand varied packaging on

This view holds that the alarmist retailing customer to supply prod-prophesies of European pricing ucts in each country at one Euroconsultants are little more than

scare-mongering tactics.
Yet Simon and Kucher have some strong scare stories, and they offer valuable advice to those companies facing pressures to harmonise their selling prices across Europe.

They tell, for example, of the "horrifle" situation confronted last year by a leading Germanic manufacturer of consumer products, which sells through large retailers, some of which have operations in several countries. Simon and Kucher call the company Logo GmbH to preserve its identity. Logo was told by its largest

pean price - the lowest in Europe. This happened to be in Portugal. Logo had no choice but to comply, and this siashed its prices by an average of 20 per cent. The consequences for its profits were disastrous" - it incurred the first loss in its history.

Rather than starting hastily to The academics have salign prices on to a low common ticular points of advice: European level, companies should do everything they can quickly to raise levels in low-price countries even if this hits market share, argue Simon and Kucher.

They propose a range of complex but objective techniques for assess-

ing the optimum price; such decisions are often taken too subjectively, they complain. The techniques - including something called "conjoint measurement" - also help analyse all the competitive and other trade-offs which must be made to determine the ideal level and breadth of a "European price corridor".

The academics have several par-Attack the problem dispassion-

ately. Since most companies' turnover comes mainly from large countries, nothing is more foolish than to undermine their price levels through low prices in small coun-tries. For instance, Logo would have done far better to have abar Price elasticity varies between

countries more than many companies realise. To ignore this in the quest for a uniform European price is to throw away profit. Also, it may be better to tolerate a certain amount of parallel imports.

 Determination of a company's European price corridor is not only complex, but also painful in organisational terms. Pricing decisions must be taken centrally, even though this flies in the face of most companies' existing decentralisation of pricing - and of profit

responsibility.
"Because of these incompatibilities, European pricing is an area of continuous conflict in many multi-

national companies." The European Pricing Time Bomb. EMJ June 1992. Marston Books Services, Oxford, England. Fax

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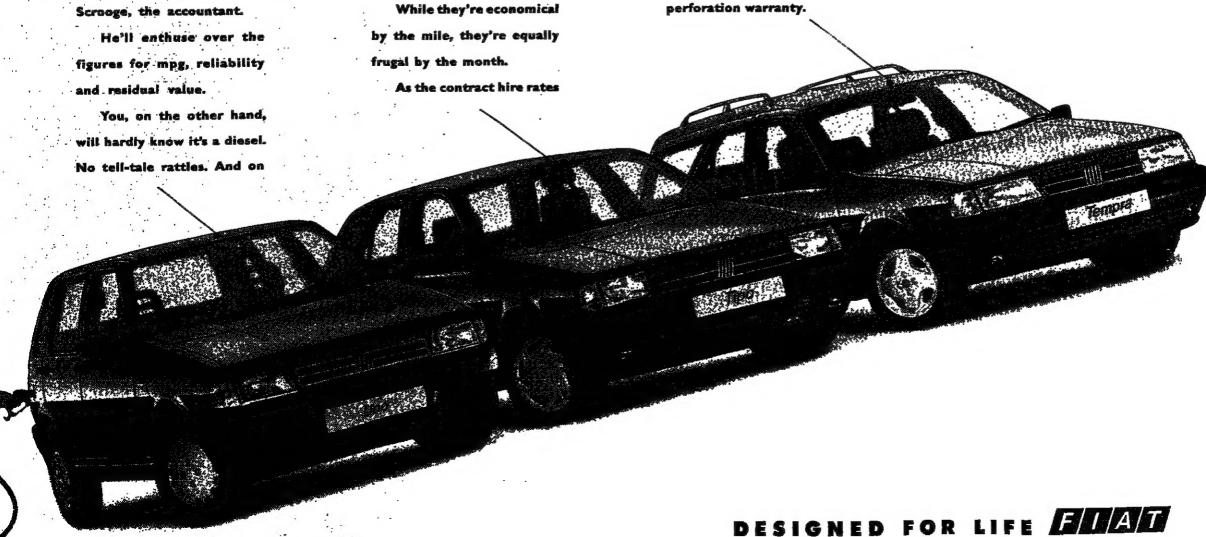
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s the dust settles on last month's Earth Summit in Rio, environmentalists are shifting their focus from global to regional issues in a series of post-Rio gatherings designed to assess the implications of the sum-mit for specific parts of the globe.

The first big meeting of its kind came earlier this month, with a two-day conference of business and political leaders to discuss ways of improving environmental protection in the Mediterranean without sacrificing industrial development

Organised by the Aspen Institute in Italy, the meeting, appropriately held on a cruise liner sailing between Genoa and Corsica, brought together environmental luminaries such as Carlo Ripa di Meana, the European Community's ioner for the Environment until earlier this month, and Giorgio Ruffulo, the former Italian envi-ronment minister, whose job Ripa di Meana has just taken.

Among the senior businessmen present were Gabriele Cagliari. chairman of Italy's state-owned Eni energy and chemicals group, while the whole affair was chaired by Gianni De Michelis, Italy's former foreign minister.

The Mediterranean is a test case for many wider environmental issues, notably oil and marine pollusion is off the record, and delegates cannot be quoted.

However, as one senior Egyptian Some 120 coastal cities discharge their sewage into the sea, around 85 per cent of it untreated. It is estimated that 24 per cent of the beaches are unsuitable for swimming because of

floridly, noted: "We, the 17 countries of the Mediterranean basin are hosts and guests, serving and being served at the one common round table, the sea, our common but col-ourful dish. We get what we produce and what we present; what-ever we give to the sea, it gives back to us, multiplied and magnified; if good we reap the best and if bad we harvest the worst."

the sewage risk alone

The Mediterranean's problems are immediately apparent. Three years ago, millions of holidaymakers curtailed their seaside vacations unexpectedly as an army of summertime algae invaded Adriatic beaches. The problem has not recurred, at least as severely, but the Mediterranean Politicians and businessmen are working together to clean up the Mediterranean, reports Haig Simonian

# A case of sink or swim

continues to serve as one of the world's biggest liquid dusthins. Some 120 coastal cities discharge their sewage into its waters, around 85 per cent of it untreated. It is estimated that 24 per cent of Medi-terranean beaches are unsuitable for swimming because of the sewthe cocktail of industrial waste finding its way into the sea are around 120,000 tonnes of mineral oils, 60,000 tonnes of detergents, 3,300 tonnes of lead, 2,400 tonnes of chromium and 100 tonnes of mercury.

Intensive agriculture in countries bordering the Mediterranean means that huge quantities of farm chemi-cals also drain into the sea. And estimates of other chemical discharges include 800,000 tonnes of phosphorous, 320,000 tonnes of nitrogenous compounds a year and 120,000 tonnes of phenois.

Delegates saw little sign of the chemicals. But sailing from Genoa Italy's leading oil port, they had first-hand evidence of one of the piggest pollution hazards afflicting the Mediterranean. Around 35 per cent of the world's petroleum prod-ucts transported by sea pass through its waters, contributing to the roughly 500,000 tonnes of crude oil pollution a year, according to

Not surprisingly, discussions were long on the problems and short on solutions. However, the conference brought a range of regional environmental issues into

None more so than the potential conflict between the need for urgent industrial development in less-developed Mediterranean states and the environmental risks. Faster economic growth is a priority for poorer states in the region, which are also facing huge population increases, as many north African

Algeria's population will have grown fivefold between 1950 and 2025 if current predictions prove correct. By contrast, it would take France 2.000 years to raise its population as much, based on the current rate of change. And whereas in 1950, two thirds of the total popula-

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tion of the Mediterannean basin then 350m people - lived in countries on the sea's northern fringe, by 2025 the same proportion will be to the south, while the overall population will have risen to 540m.

Meawnhile, income differences are likely to become more acute. As matters stand, per capita annual income in the region ranges from only \$600 in Egypt to \$19,490 in France, according to World Bank

But while environmental concerns have grown in rich, industrialised countries like France, Italy and Spain, which border the Mediterranean and use its waters to ser-

water-dependent industries, many of the less-developed countries in the region, particularly in north Africa, aim to create just a fraction of that coastal industrial infrastruc-

The demand for electricity alone is set to rocket in states on the Mediterranean's southern and eastem flanks. From a present annual generating capacity of around 110bn kWH, capacity is expected to rise to 900-1,100bn kWH by 2010, according to one expert. In the absence of new technologies, the increase will have immense effects on water use for

cooling and evaporation. Hence the main focus of the meet-

European business in helping the Mediterranean's poorer nations continue their industrialisation process, which is essential to provide the resources for their growing pop-ulations, without destroying their own environments and the common heritage formed by the Mediterra-nean itself. With the sea recognising no polifical boundaries, politition from one Mediterranean country can quickly end up else-where at the whim of the wind and

resources, either from individual most important political entity in the region, were conspicuous by their absence. Numerous environmental measures for the Mediterranean are already in place, both at EC level and unilaterally on the Money which comes from the developed countries can only be supplemental," noted one speaker.

Likewise, few present called for halting industrial development in poorer parts of the region. Even committed environmentalists accepted that the economic needs spurred by explosive population growth meant greater industrialisa-tion was inevitable, and indeed irable, if political systems were not eventually to collapse under the demographic strain.

Instead, the emphasis was on "sustainable development" for the region, and closer monitoring of environmental risks and new industrial projects which could worsen

In an on-the-record press confer ence after the meeting, De Michelis stressed the conference's call for the prompt application in the Mediterranean of Agenda 21 - the environmental programme approved in Rio - to make the region a guinea pig for similar action elsewhere.

His demand for a new Mediterra nean Investment Bank drew less approval from delegates, many of whom stressed the adequacy of existing bodies for development aid and environmental monitoring.

But all agreed that better co-ordination between such institutions was an essential for governments and big business in the region to tackle the linked priorities of environmental protection and sustain-

Only by improved co-operation between existing environmental bodies and organisations like the European Commission could action be taken to "map" the environmental problems of the region prior to closer assessment. And only by improved "networking" between hig companies could industry contrib-ute to regional needs by "bench-marking" to learn from the example of companies already performing

# EC packaging laws tied in red tape

By John Thornhill

he European Commission last week extended its influence into the murky depths of the Euro-dustbin when it published its long awaited directive on the ticklish issue of how best to

avoid packaging waste.

The EC put forward far-reaching proposals aimed at harmonising environmental laws across the Continent and reducing the 50m tonnes of packaging waste produced in the

Community each year.

Its hierarchy of preferred solutions is: minimisation of the packtions he minimization to the peta-aging used in particular products, followed by recovery and recycling, with final disposal in landfill sites remaining a last resort.

The directive sets the sessingly staggering target that within 10 years of implementation 90 per cent of all packaging waste by weight should not reach the waste stream and 60 per cent of each packaging material recycled. It expects that within five years of implementation the member

states will have set up appropriate systems to collect

from the consumer, enabling them to ensure that it is effectively re-used or The concept of recovery is a

loose one much to the packaging industry's relief — allowing for the "value" of any product to be

recovered by the most efficient means possible — a process known as valorisation. So, for example, it will be considered equally valid either to recover the energy from a product by burning it and utilising the heat or composting products for egricultural use.

agricultural use.

However, few sectors of the packaging industry in any European country come near to the required rates of recycling. The targets, therefore, represent a formidable challenge. At present, only 20 per cent of the waste produced in the EC is recycled.

Nevertheless, many industry representatives have reached formatters.

entatives have reacted favours ely to the ambitious prop believing they will help forestall discriminatory national legislation and create a flexible framework enabling the best environmental solutions to emerge in each of the member states. Jane Bickerstaffe, technical direc-

tor of Incpen, the Industry Council for Packaging and the Environment in the UK, says: "We welcome anything that is a step towards greater certainty." But some still have reservations.

The Alliance for Beverage Cartons and the Environment, which represents many international compamies involved in producing multilayered cartons, says it still has "serious concerns" about the unrealistic targets that have been set, which run the risk of creating mountains of waste.

But there is a surprising degree of flexibility even on this score. The EC accepts that its targets are "aspirational". A clause in the directive suggests they may be modified if research shows that other processes of recovering waste prove to have greater environmental advantages.

Jacques Fonteyne, managing director of the European Recovery and Recycling Association

(Erra) which represents 31 companies directly or indirectly involved in the packaging industry, says: "Everybody seems to forget that there are still at least two more years before the direc-

Although there are many battles still to be fought before the proposals are enacted in national laws, there appears to be a growing consensus across Europe about the pri-orities that the directive ensurines and the solutions it prefers.

Last weekend, Klaus Töpfer, Germany's environment minister, spoke about the creation of a "circulation economy" where the components of every manufactured product are re-used at the end of their useful lives.

As environmental campaigners are fond of saying: "We have to stop thinking in terms of straight lines and start thinking in circles." The EC directive on the avoidsuce of packaging waste may be wobbly around the edges but at least the outline of such a circle is beginning to take shape.

# FT LAW REPORTS

# Recoveries are not on trust

NAPIER V KERSHAW Court of Appeal (Lord Justice Dillon. Lord Justice Staughton and Lord Justice Nolan) July 9 1992

STOP LOSS insurers with a right of subrogation against an assured must normally or for monies had and received, and have no equitable remedy directly against coveries held for the assured by his agent. And where the loss is insured above a certain minimum and below a certain limit, excess to be borne by be applied first in recouping any loss above the limit, then the layer insured, and finally

The Court of Appeal so held when dismissing part and allowing part of an appeal by the defendant stop loss insur-ers from Mr Justice Saville's decision as to the order of appropriation out of settlement monies recovered by solicitors, Richards Butler, as agents for the plaintiff Lloyd's Names, Lord Napier and others.

LORD JUSTICE Dillon said that 987 Lloyd's Names who belonged to the Outhwaite Syndicate had formed an association to claim against RHM Outhwaite Underwriting Agencies Limited and members' agents at Lloyd's to recover losses attributable to allegedly

egligent underwriting. Under a settlement in March 1992, £116m was paid by the Outhwaite defendants to Richards Butler on behalf of the

Of that total, £80m was attributable to past paid and notified cash calls in respect of losses of the Outhwaite Syndicate. The balance was irrelevant to the appeal.

The defendant stop loss insurers were joined as representatives of other Lloyd's Syndicates which wrote stop loss insurance policies for 1982 for

individual names. Those Names who had not effected stop loss policies with the insurers had had their shares of the settlement monies released to them.

On the appeal the first issue was whether the stop loss insurers could recover whatever they were entitled to recoup directly from the monies in the hands of Richards Butler, on the ground that they were held on constructive trust for the insurers to the extent of the amount they were entitled to recoup from each name.

Richards Butler received the settlement monies as agents for the names in the ordinary course of their practice as In Lee v Sankey LR 15 Eq

204,211 Bacon V-C said "A mere agent of trustees is answerable only to his principal ... in respect of trust monies coming into his hands."

Accordingly, the stop loss insurers did not claim that Richards Butler were constructive trustees. Their claim was that the

names were constructive trustees of the recovery monies, and that the amounts due to the insurers were traceable in equity in the monies held by Richards Butler. It was common ground that

in appropriate circumstances a remedy in equity by way of constructive or resulting trust or a remedy at common law, might arise out of different aspects of the same transaction. Equity and common law were not mutually exclusive. However, the doctrine of sub-

rogation was a common law doctrine long before the fusion of law and equity. Also the intricacies and doctrines connected with trusts ought not to be introduced into commercial transactions, and an agent in a commercial case ought not to be turned into a trustee with all the troubles that attended that relation (see New Zealand and Australia Land 7 QBD 378,

Even so, in appropriate circumstances a constructive trust might be held to have arisen out of a common law

In Lister v Stubbs 45 ChD 1 it was held that the relationship between a company and an employee who had corruptly received commission from a customer, was that of debtor and creditor, not one of trust, with the result that the company could not claim ownership of investments which the employee had bought with the

commission. The company's proper course was to recover a No doubt in an appropriate

case even in an insurance con-text, recoveries which an insurer was entitled to claim by subrogation could have been held on constructive trust for the insurer. But it was not automatic

that whenever the assured recovered monies in circumstances giving underwriters a right to recoupment, the recov-eries would be held on a constructive trust for the underwriters insofar as they were traceable in equity among the assured's assets.

Such a very broad approach would be inconsistent with the essentially common law origins of subrogation in insur-

In the present case there was nothing in the circumstances to turn the stop loss insurers' names from a common law claim in debt or for mories had and received, into a claim under a trust.

Mr Justice Saville rightly held that a constructive trust was not made out. The appeal was dismissed on the constructive trust point. The second question arose

out of the provision in each stop loss policy for the insured to bear an excess. The insurers only insured losses above a certain minimum and up to a certain maximum. The Names claimed and the judge held that they were enti-

tled to recoup the excess out of recoveries before anything was payable to the insurers by way Under the insurances the underwriters were to indem-

nify the assured for the amount by which the assured's . . . loss . . . exceeds the amount stated as excess in the schedule". It was provided that the underwriters' liability should not exceed the amounts stated as "limit" in the sched-

The case was argued on hypothetical figures. An excess of \$25,000 and a limit of £125,000 were assumed, giving a layer of insurance of £100,000. The underwriting loss was

The top £35,000 (the difference between £160,000 and £125,000) might be uninsured.

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or might be covered by another layer of stop loss insurance with a different insurer.

The case for the stop loss insurers was that if there was any recovery by the Name after they had paid him the £100,000, the recovery should be applied first in recouping the top £35,000 whether insured or not, and second, in recouping the £100,000 to the stop loss insurer. Recoupment of the £25,000 excess would only begin if the recovery exceeded 2135,000.

The case for the Names, which the judge accepted, was that it was fundamental to the law of subrogation that there could be no recoupment to an insurer until the assured had recovered the whole of his uninsured loss.

Therefore, it was said if the top £35,000 was uninsured, any recovery would go in recoup-ment to the name of the £35,000 and the £25,000 excess, and only then towards recoupment of £100,000 to the stop loss

The Names' contentions were inconsistent with the agreement that there was to be an excess which was to be borne by them. The application of recovery monies as contended for by the Names would have the effect of turning the stop loss insurers into insurers of the first £100,000 of the underwriting loss without any

The insurers' argument that recovery should be applied from the top down leaving the excess the last to be recouped, was preferable.

Accordingly, the appeal was allowed on the excess question. Their Lordships gave concur-

Donaldson QC and Michael Swainston (Chyde & Co) For the Names: Anthony

Boswood QC and Stephen

Moriarty (Richards Butler)

For the insurers: David

In Depositors Protection Fund v Dalia, Financial Times July 16 1992, Lord Irvine of Lairg QC was leading counsel for Mrs Delia.

> Rachel Davies Howe have been appointed directors of BOWRING

# PEOPLE

# Williams seeks window of opportunity

George Williams, the 64-year-old founder of the recently floated Anglian Group, is back in business and planning to chal-lenge his old company for the leadership

of Britain's replacement window market.
Williams, who started Anglian from one small workshop in 1966, has been appointed executive chairman of Aspen Windows, which has been formed by execwindows, which has been borned by Anglian. The firm, which will shortly move out of a chicken hut on Williams' Norwich estate, is a minnow compared with Anglian ined at £184m when it was floated on the stock market this month.

However, for a seven-month-old company, it has made an impressive start. It employs 250 people, has a dozen showrooms and in its first seven months has generated £4m of turnover. This is small beer compared with Anglian's annual turnover of close to £150m, but Williams has big ambitions. Among his executive team are several Anglian veterans incind-ing Malcolm Woodcock, Fred Searle and Denis Allen who either lost their jobs or

MANAGEMENT in Septemb

Canadian operations when Mike Hughes retires next year. MBrian Warburton has been

appointed chairman of Heath

Martyn Hooper and Charles

Collins Halden (Scotland), a

division of CE HEATH, in

place of Bill Reid who has

Ross have been appointed directors of CT BOWRING

Morland has been appointed

chief executive of BOWRING

PROFESSIONAL INSURANCE

BROKERS, Anthony Belton,

Hibbert have been appointed

Howard Green and Brian

directors of BOWRING

Financial & Professional

Insurance Brokers: John

Westoby, Andrew Edward.

Stewart Emery, Howard Green, Brian Ribbert and

Mark Skilton have been

George Burr, Ian Foster,

Howard Green and Russell

Aviation; Anthony Bolton,

appointed directors of Bowring.

REINSURANCE. Hugh

FINANCIAL &

retired.

and will take over the

"I believe we can put Aspen Windows in the top three window companies within five years. Maybe even become market leader," Williams says. However, he stresses that he is not "doing it for the money, but for the pure enjoyment". He made a sizeable fortune when he sold Anglian to BET in 1984, and although he retired from Anglian in 1989 he says he misses the window business. Although some might question the wis-

dom of starting a new business in the midst of a recession, Williams is confident. He says that people are "virtually giving away" showrooms and he has no difficulty recruiting professional staff. "It was the case of the blind leading the blind in my early days," he says.

Anglian, whose stock market debut was

marred by the general nervousness of investors, seems unrufiled by its new competitor. It says that it has certain covenants with Aspen preventing its sales peo-ple competing for its business until January 1983. It also notes that it is a business where there have always been ots of small competitors.



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MI CES

### Moves in insurance

Alexander Dum is to head a new direct motor insurance operation being launched in the UK by the French Groupe des Assurances Nationales. M Alistair Gregory-Smith has been appointed md of Towry Law Financial Planning and a director of TOWRY LAW. Mark de Saram, senior who has spent 20 years with Eagle Star, helped launch the company's direct sales arm in October 1988. underwriter - treaty underwriting, is to become president (designate) of NRG VICTORY CANADA

After three and half years at Ragie Star Direct, Dunn has become a firm fan of direct sales methods, which uses a combination of mass media advertising, computer-based underwriting systems and tele-phone sales to bypess the bro-ker, the industry's traditional

MARINE & ENERGY; Howard Green, Martin South, Michael Syson and John Windsor have been appointed directors of Bowring Worldwide Insurance Brokers, Yamin Mustafa has been appointed a director of CT Bowring Space Projects. E David Kay, formerly senior marketing manager of NRG Victory Reinsurance, has been appointed assistant vice-president, group insurance marketing, of SUN LIFE OF

CANADA ■ Philip Rhodes, deputy general manager General Accident, has been elected president, and Tony Lancaster, chairman and chief executive of GAN Minster Group, deputy president of the INSURANCE INSTITUTE OF LONDON. 

# Dunn's direct route

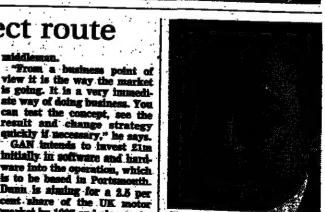
Dunn, a 39-year-old Scot

view it is the way the market is going. It is a very immedi-ate way of doing business. You can test the concept, see the result and change strategy quickly if uscessary," he says. GAN intends to invest £1m initially in sections. initially in software and hard-ware into the operation, which is to be based in Portsmouth. Dunin is siming for a 2.5 per cent share of the UK motor market by 1997 and also envisages selling household, per-sonal accident and medical expenses cover by the direct route.

Departures Whichael Griffiths has retired from ALLIED LYONS.

Les Carpenter is retiring after 42 years with the company and 18 on the board of REED INTERNATIONAL Malcolm Truepenny has resigned from TVS ENTERTAINMENT. E Daniel Corcoran is retiring from HIBERNIAN GROUP, but remains on the board of Hibernian Life. # Steven Gerard has resigned from MOUNTLEEGH Farzad Rastegur has ceased to be a director of FILOPAX

B Fred Grimwood, finance director of EFG, has died in a swimming accident.



Chew Mun Chan has been appointed deputy md of Cambridge Cable which is preparing to launch a telecommunications service in Cambridge in competition with BT next September. Chew, who is expected to be

at Cambridge Cable for at least the next three years, was department manager of net-work technical development at Singapore Telecom, which has taken a 41 per cent stake in Cambridge Cable. "He has worked in advance network planning - he has a lot of experience in that area," says Eric Tveter, Cambridge Cable's American managing director. Aged 43, Chew was born and educated in Singapore and graduated from the National University of Singapore 20

years ago.
He joins a polyglot team at Cambridge Cable; another 41 per cent is owned by Comcast, the US cable to and wireless: Television/Patricia Morison

# Trip a heavy Finn tango

Dunkley is away on holiday, so I have been drafted in again to take his place on the historic green sofa. Invariably, people in the gallery world which is my usual beat react with moues of sympathetic disgust when they hear I am switching to pictures that move. In public at least, the super-refined Courtauld graduate still feels it necessary to react as if television was a dirty word.

And besides, hasn't everyone heard ad infinitum that British TV is going down the drain? But after a week of squareeying, my impression is that there is an extraordinary amount on the box which rates not just as passable, but as good, even memorably good.

Admittedly, the circumstances of a TV critic are special. There, stacked up on the carpet, is the pick of seven days' viewing. The dormouse factor becomes no obstacle to sampling, for example, Tuesday's Donahue, an after-midnight discussion which involved "a 33-year-old virgin, with a doctor's certificate to prove it, who is looking for a

man". The awesome responsibility of taking on Mr Dunkley's job necessarily means one's tastes become far more catholic. I marvel at what a prodigiously well-stocked mind he must have. All of us construct ringfences to keep out subjects we believe do not interest us, when in reality it is just a way of keeping some kind of grasp on the things that do. Cut even a modest hole in the fence, and it is amazing the things which clamber inside.

Take Finland, a country which I admit ordinarily slips off my mental map - although it edged back on a few years back, after I learned that they have a weekly news broadcast in Latin. But Finland will truly never seem quite the same again after the excellent and

T would be difficult to imagine

a more successful festival on any level than this year's Montreal

international jazz festival. Held

earlier this month, it not only attracted

street crowds estimated at 1.3m, but

that originated with black performers

it also showed how a musical form

in the southern US has gone on to

The festival was a tribute to the

Hooker, the soaring tenor sax of Sonny

Al Dimeola, to the Sinatra-like vocals

and arrengements of John Pizzarelli

boundaries, to include hard rock (the

There were indoor performances

Symphony Orchestra traditionally

hold court, while several streets in

massive crowds at free evening

at the Place des Arts, the concert hall

where Charles Dutoit and the Montreal

the centre were closed to accommodate

Festival founders André Menard

the credit for laying on such a musical

outpouring in Montreal, a city which

had a rich jazz and blues history in

testified to the organisers' ability to

The performances themselves

and Alain Simard deserve much of

and the piano of Oliver Jones and Paul

Jeff Healey band) and world best (King

diversity of jazz, ranging from the

blues and boogle riffs of John Lee

Rollins and the guitar wizardry of

Bley, It also stretched musical

Sunny Ade).

concerts.

the 40s and 50s,

influence a variety of styles.

Y colleague howlingly funny Tango in a Christopher Minor Key (Saturday, BBC 2), Dunkley is away part of the long-running

Rhythms of the World.

Tango is hig in Finland, and has been ever since 1913. Since 1940, it seems tango has become a national obsession, spiced a little with rock for the new generation, but still playing a crucial role in Finnish popular culture - not least, in putting shy Finnish man in touch with Finnish

Aki Kaurismāki, Finland's top film-maker, sat hunched beside a birch-tree and a lake fag in hand. The tango, he assured the interviewer, actu-ally originated in Finland: Argentina only copied it. He uses it in every film he makes — and given Mr Kaurismāki's philosophy of life, they sound like Bergman crossed with Busby Berkeley. He says: "When you walk on this earth you have to be serious all the time. I hate people who laugh. It goes in my ears. That's why

Tango does not make Finns laugh, or even smile. But on the endless summer nights it attracts Finns to wooden community huts in the forest, ringed by car-parks and hotdog and booze-stands.

Inside, men of all ages sit along on one side on a bench. wearing short-sleeved shirts and expressions ranging from gloom to fury. The women face them on the opposite bench. An electronic display-board announces which sax has the honour of asking for a dance. And you must accept unless the prospective partner is drunk - which is fairly often the case.

No one talks: Finns "are not prone to engage in small talk." No one laughs. It is not hard to dance the Finnish tango, which is marked lentissimo like life itself, after all. The lyrics are pretty much the same as popular music everywhere, about love n'death, except for a



They do it differently in Helainki, indeed they claim to have invented the dance. Here two Argentinians assay their ar

escaping across the endless water to a blessed isle.

An island with palm trees, as it would seem from the painted backdrops. Singers are, if possible, even more lymphatically sad than their audiences. Reigo Tappale used to be a poor wood-chopper, but for decades he has been the king of Tango. His recipe for success is "not just to stand there thinking of breakfast" and to take the lyrics very seriously indeed.

But Tappale does just stand there and belt it out. Gyrating would be seen as unserious. Besides, there is the great example set by the Tango singer of all time, Olavi Virta, who died in 1966. His gift, as an enthusiast explained, was to express the very soul of his native land. Plus: "he had enormous personal difficulties, also typical of Finland".

It seems that Virta's records still sell in huge quantities. How huge we were not told; if I have a criticism of this glorious programme, it was the particular attachment to songs absence of figures to back up

about following the birds and the claim for tango's dominant position in Finnish cultural life. Do the people who lap up the Latin broadcast, also tune Radio Suomi to the Tango sta-

> here was something surprisingly down-beat about Robert Hughes's Barcelona, the Omnibus special (Thursday, BBC 1). This was billed as a personal exploration of the city by Mr Hughes, renowned Australian cultural historian and art critic for Time magazine. He fell in love with Barcelona in 1968. But the tenor of the film suggested that either the love-affair has cooled and Mr Hughes would rather be somewhere else, or he has a streak of the Finnish tempera-

There was no excitement in what he had to say about Bar-celona. The film was lumbered with an over-long historical introduction pitched at the level of the tourist hand-out. Hughes's more idiosyncratic contributions amounted to not

a lot, and were dominated by the splenetic reactions of the art critic.

He visited a post-modernist night-club where spikey balls are hung under the table to ladder your tights. As proof of Barcelona's "obsession with design", he evoked the nightly cruising of Barcelonans to admire the nest surgery on the bodies of transvestite prostitutes. He hosted a dinner-party where a miscellaneous bunch of Barcelona intellectuals all spoke at once and rubbished Gaudi's church of La Sagrada Familia.

Then he left town, pausing to tear into the shoddy design and dirty windows at the new airport. Hard to see what makes that a distinctively, revealingly, Barcelonan phe-

Two consecutive programmes in the Secret History series (Channel 4, Monday, 9pm) have been well-made and and informative. Last week's dealt with October 17 1961 in Paris. Bystanders, journalists and policemen recalled what

happened when police (headed by Maurice Pappon, now under investigation for wartime complicity in the deportation of Jews) brutally attacked Algerian demonstrators.

The police fired on the demonstration, made 11,000 arrests, and then continued over days to torture and kill the prisoners. Bodies were found floating down the Seine. It is widely thought that there were 50 deaths, although the official figure remains at only two. However, with the growth of support for Le Pen, the massa cre is now beginning to be marked as a day worthy of commemoration.

The Last Days of Aldo Moro this week, was quite as interesting. The extra fillip came from interviews with Red Brigades' terrorists who were involved in Moro's kidnap and eventual murder. The executioner spoke from his caged interview room, but the mastermind of operations who wanted to talk, was forbidden to take part by the prison

# **Buxton Festival**

RRIVAL in Buxton for this year's festival brought one unpleas-\_\_\_ant surprise. The elegant neo-classical Crescent near the Opera House, for some years in a dilapidated state, is now boarded up, its future apparently uncertain. A petition has even been started to try to save the building -one of the region's outstanding

architectural landmarks. There seems to be a tradition in these parts that anything worth preservation has to wait until the 11th hour before action is taken. The festival itself has been on the brink of financial collapse more often than one cares to remember, so it is heartening to report this year that its finances are in a relatively healthy position, thanks to a substantial grant from the Foundation for Sport and the Arts.

One of Buxton's permanent assets is the classic Matcham theatre, which was lovingly restored in the late 1970s. It is a friendly and intimate venue. which is just the right place for the foraging into little-known operatic territory that is the festival's aim. This year, the two operas were by Handel and Rossini – ideal fare for this theatre, if not both as rare as they might have been.

The greater novelty (and the better performed of the two) was Handel's Agrippina. This is one of those early Handel Italian operas which is spiced with a surprisingly sharp wit. The familiar figures of Roman history are there, but their story is twisted into satire with some topical references. It is a slippery style to master and Adrian Slack's production sometimes had a grasp on its wry sense of humour, sometimes not.

It was at its best when the sharpest individual characterisations were parading the stage. Susan Roberts was a particularly masterful Agrippina, who exhibited the inner concentration, the way of uttering her wickedest lines through clenched teeth, that makes this monster of a woman come to life. Fiona Janes was a convincingly adolescent Nerone, Sally Harrison the luscious blonde bimbette of

reasonable counter-tenors in Timothy Wilson as Ottone and Simon Clulow as Narciso.

The standard of singing was not, however, flawless, with several of the cast coming unstuck on the coloratura and parting company with the orchestra. The players were from the Manchester Camerata, directed with fine musicianship, though not always enough dramatic momentum, by Roger Vignoles. Perhaps the most consistent pleasure came from the designs of Dermot Hayes, whose mini-Colosseum in flames was an amusing contribution from one participant who clearly had his tongue

The other production also

looked good on a small budget, even if the designer, Ruari Murchison, seemed set upon painting the whole stage red, white and green in the Italian colours. Rossini's L'italiana in Algeri flies the national flag pretty blatantly and the main aim of Jamie Hayes's production was not to let us forget it. As the patriotic Isabella, Jean Rigby was in every sense the standard-bearer of the evening. The warm resonance of her voice and the quality of her singing, though neither very Italianate in style, carried all before her. The other singers admittedly offered little resistance. Justin Lavender sounded out-of-sorts as Lindoro. Mark Richardson sang decently, but never grew into

the grotesque and comical Mustapha; Richard Suart's Taddeo worked the comedy hard enough for the whole Still, there have been worse tributes to Rossini this bicentenary year and, indeed, less appealing productions of this opera in the past. The conductor, giving the performance much of the nimbleness of spirit it wanted elsewhere, was Jane Glover. She takes over as Artistic Director at Buxton in 1993, initially for a one-year

Richard Fairman

The festival continues until 2 August (Box Office 0298) 72190

period, and in her the festival

will be looking for new vigour

# Montreal Jazz Festival

attract some of the top artists from across the jazz spectrum. Montreal jazz audiences are noted for their sophistication, so the musicians enjoy the venue as a place where they can reach the true aficionado.

Heading the festival was the much-heraided appearance of John Lee Hooker, marking a stop on what the black boogle master has described

"as my last tour" At the age of 74, Hooker's guitar work has slowed to a brief series of nasty riffs, but his voice has not eserted him. Stepping on stage in dark sunglasses and a 'thirties-style hat, Hooker sang and played a number of classic tunes. Most remarkable was a version of "Crawling Kingsnake" that revived memories of the ageing bluesman's powerful legacy. "There's not a lot of us left," said Hooker, acknowledging that most of the great performers of his era - John Coltrane and Thelonius Monk, for example -

have been dead for many years. Hooker's set was preceded by a lively session from Charles Brown, a marvellous piano player who has laboured largely in obscurity over the years. Although he is only four years younger than Hooker, Brown's piano playing was impressively

animated and his singing just as outstanding. Brown and his four-piece band tore through a series of blues, jazz and boogie selections that left the audience, almost all of whom had come to hear Hooker, begging for

ment.

Not as inspired however was the concert given by Branford Marsalis (brother of the much-detiled Wynton), which had none of the energy and rapport with the crowd that the much older Brown and Hooker were able to generate. Without question, Marsalis is a virtuoso saxophonist, yet his Montreal session lacked the electricity his reputation might have suggested. This lazzmen was simply too cool.

ne of the great discoveries of the festival was John Pizzarelli, who played nightly at the Club Soda. a 300-seat venue whose intimate surroundings perfectly suited the ebullient lounge-lizard charisma of Pizzarelli. The 32-year-old American performed with the effortless grace of a Sinatra and moved through classic tunes such as "My Baby Just Cares for Me". "My Blue Heaven", and "The More I See You", with such poise that one felt thrown back to an earlier era

of big bands, bobby-sozers, and the crooners of yesterday.

Pizzarelli's shows were sold out continuously through the festival. and local reviewers were wildly enthusiastic about his musical grace and abundant charm. His father was Bucky Pizzarelli, a noted guitarist whose living-room guests often included Joe Pass, Zoot Sims, and Les Paul. "I grew up with 40s music in the house, so it just became a part of me," said the younger Pizzarelli.

Other highlights of the festival included the magnificent improvisational sets of Montreal-born pianist Paul Bley, George Benson's smooth guitar set, and a hellish sessio from Sonny Rollins, generally acknowledged as the finest tenor sax player of his generation.

Rollins' eerie intensity enthralled the sold-out hall, many of whose spectators had waited to hear Rollins again three years after his last performance at the festival. It takes a musician of Rollins' rare genius to show that music can reach new levels of mood and meaning when played with such hypnotic touch. Every festival needs an artist of this dimension, and the Montreal event, as on every other count, did not

Harold von Kursk

# South African Theatre

a Poppea. There were two very

### Playland between two characters, one tion, back-off and attack which THOL Fugard's latest

work commends the talking cure for politi-L cal violence. Topicality gives edge to Fugard's moral earnestness, and the earnestness gives the piece Playland is a strong, static

dramatic image rather than a drama. It's an image of the South African hell - a vessel overloaded with corpses. The mage of hell realised on stage by Fugard and his talented designer, Susan Hilferty, is a travelling funfair on a hot New Year's Eve in the small Karoo desert town of Cradock.

The stage is dominated by the curving, glaringly lit skeletons of big wheels and rollercoasters; the barking loudspeaker's injunctions to have a good time: acrid smoke from a superfluous brazier; and the inanities of Sixties rock'n'roll It is a setting of infernal banality in flaming oranges and faded Noddyland primary col-

Playland is a confrontation

white and one black. Martinus eventually leads to the recogni-Zoeloe, a Xhosa nightwatch- tion that, in being haunted by man, is played by John Kani, who has worked with Fugard since the 1960s. A stocky, forceful actor, Sean Taylor, plays the shell-shocked veteran of the Namibia war, Gideon le Roux

The play begins with Martinus threatening offstage crooks with the fires of hell and their derisive laughter. One of the debates between the two characters is about the hereafter, with Le Roux denying all but the here and now and Zoeloe all but the hereafter. Both positions, it emerges, have less to do with faith than the need to evade guilt for past acts of violence.

Martinus killed a white seducer of his wife. Le Roux participated in border massacres: both are haunted by the memories and both their lives are paralysed by guilt and anger. Each presses the other to open up: much of the play's action is the process of negotia

ghosts, they have become citizens of limbo, and thence to forgiveness.

The play has the dramatic deficiencies of allegory - particularly a disregard for improbability. And its operating assumption is peculiarly Fugardian - that stage characters will necessarily participate in joint therapy because they are bound in a blood knot of violence, anger and guilt.

Yet, the play is resonant because the two performances give a degree of realism to the allegory, with Kani's performance an ornate assembly of sour-mouthed silences, hell-fire sermonising and sardonic laughter, and Taylor's based on violent shifts between hyperactivity and tearfulness.

Robert Greig

Playland is at the Market Theatre, Johannesburg



### ■ BARCELONA

Leading Spanish opera stars, including Domingo, Berganza, Carreras and Caballe, will take part in the opening concert of the Olympics on Sat.
The Gran Teatre del Liceu has

drawn up a special Olympics programme, beginning on Sun with an evening of traditional Catalan dance. Next Mon: Uwe Mund conducts

the Orchestra of the Liceu in works by living Catalan composers. Tue: Cecilia Bartoli recital.

Other artists appearing in the Olympic season, which runs till Aug B, are Giacomo Aragali. Marilyn Horne, Arleen Auger and the Spanish National Ballet Rambia dels Caputxins 61, tel 412 3532).

### **BRUGES**

EARLY MUSIC FESTIVAL The testival opens on Saturday with a programme entitled The Way to Bach, with music by Scheidt, Schutz and Monteverdi

played by the Ex Tempore Ensemble. On Sunday, Bartold Kuliken and Gustav Leonhardt play music for transverse flute and harpsichord.

Monday's concert by Catherine Bott and the New London Consort features music from the Spanish court in 1492. Joshua Rifkin and Stephen Varcoe take part in an evening of Bach cantatas next Tue, and Peter Philips directs the Tallis Scholars in a programme on July 30 entitled Music in the days of Christopher Columbus.

Other festival events include a series of lunchtime concerts entitled Virtuoso music for strings, and an exhibition of old musical instruments and scores at the Belfry halls.

The festival ends on Aug 8 with Bach's B minor Mass (Information and booking: Tourist Office, Burg 11, 8000 Bruges.

### LONDON

Covent Garden 19.30 Royal Ballet in Kenneth MacMillan's production of Romeo and Juliet (Lesley Collier), repeated tomorrow and Sat with Sylvie Guillem. Fri: triple bill (071-240

1066). Fri at Royal Festival Hall: opening of month-long season with English National Ballet (071-928

Coliseum 19.30 Alvin Ailey American Dance Theater in choreographies by Alley. McKayle and Bird. Season runs till Aug 1 (071-240 5258). South Bank Centre 19.45 Spirit

and dance from Venezuela. Tomorrow's programme features Buddhist music from China. Frl: spiritual music of Iran. Sat Indonesia (071-928 8800). Fri in Barbican: The King's Singers. Sat: Academy of St Martin In the Fields (071-638 8891). Royal Albert Hall 19.00 Yan Pascal Tortelier conducts the BBC Philharmonic Orchestra in works by Ravel, Dutilleux and Saint-Saens. Followed at 22.00 by a Villa-Lobos concert with the BBC Singers directed by Odaline de la Martinez. Tomorrow: John Lill plays Beethoven's Fifth Piano Concerto.

of the Earth: traditional music

### NEW YORK

(071-823 9998).

THEATRE Jake's Women: Alan Alda is at his genial best in Neil Simon's new play about a writer trying to come to terms with the women in his life, past and present (Nell Simon, 250 West 52nd, 307, 4100).

Fri and Sat Cleveland Orchestra

 Jelly's Last Jam: an unsparing look at the life of early jezz legend Jelly Roll Morton (Virginia, 245 West 52nd St, 239 6200). Conversations With My

bitter-sweet memory play about a Lower East Side barkeeper. his two sons and the patrons of his tavern (Royale, 242 West 45th St, 239 6200). Five Guys Named Moe: the guys are black dancers and

singers who perform the songs

Father: Herb Gardner's

of the late Louis Jordan (Eugene O'Neill, 230 West 49th St, 239 6200).

 Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171). Avery Fisher Hall 20.00 Mostly Mozart: Gerard Schwarz conducts the Festival Orchestra, with Andre Watts plano soloist. Fri

and Sat Rudolf Firkusny and Lynn Harrell (875 5030). New York State Theater 20.00 Guido Ajmone-Marsan conducts Nicholas Muni's production of La traviata, with Gail Dobish, also Sat. Fri: Cav and Pag. Sun:

La boheme (870 5570). Lincoln Center's annual series of classical jazz concerts

runs from July 31 to Aug 8 at Alice Tully Hall. Under the artistic direction of Wynton Marsalls, the concerts will feature music of New Orleans clarinet legend Johnny Dodds, an evening of music by McCoy Tyner and the annual presentation of the Lincoln Center Jazz Orchestra playing the music of Duke Ellington. Other featured artists include Frank Wess, Ron Carter, Todd Williams and Kenny

### PARIS

Opera Bastille 19.30 Swan Lake: Ballet de l'Opera de Paris in a new production of Vladimir Bourmeister's 1960 choreography. Daily till Sat (4473

Washington (875 5050).

 A 24-hour recorded telephone guide to Paris entertainments

is available in English by dialling 4720 8898

### ■ PRAGUE

Pergolesi.

A summer season of concerts has been organised in the city's historic buildings and gardens. Tonight in Wallenstein Garden: Wind Harmony Barrandeum in a programme of works by Rossini, Orff, Dvorak and others. Tomorrow afternoon at Church of Maria Virgin of Snow: recital of sacred songs by Jirina Markova, including works by Bach, Mozart, Petr Eben and

Tomorrow evening in South Garden of Prague Castle: Czech Wind Quintet in works by Mozart and Czech baroque composers. Sat in Lobkovic Palals at Prague Castle: cello and harp recital by Miroslav Petras and Magdalena Simeckova. Mon: classical guitar concert. Advance booking at the Smetana Hall (u Prasne brany 2, 232 5858).

 For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714).

### ■ ROME

TERME DI CARACALLA Tonight's performance is Turandot with Ghena Dimitrova. Tomorrow, Sat and next Wed: Il barblere di Siviglia with Cecilia Gasdia, Rockwell Blake, Leo Nucci and Ruggero Ralmondi. July 30: first of nine performances of Aida, with Aprile Millo (488 3641).

### SIENA The Accademia Musicale

Chigiana marks the Rossini bicentenary with two little-known early operas: Edipo Coloneo (tomorrow and Sun) and Ivanhoe (next Wed), the latter conducted by Peter Mago with a cast including Tiziana Fabbricini. Fri and Sat: pupils of the academy perform a Rossini programme (577-46152).

### ■ VIENNA **OPERA**

The Kammeroper presents its production of Don Giovanni every Wed. Fri and Sat in the Imperial Gardens of Schonbrunn Palace. Performances begin at 20.30. The cast is headed by Danish baritone Boje Skovhus (512 0100). CONCERTS Herbert Mogg conducts tonight's

Arkadenhof concert of Viennese operetta favourites with the South-West German Radio Orchestra and vocal soloists. Stanislav Macura conducts the Moravian Philharmonic Orchestra in works by Smetana, Gatscha and Falla tonight in the Konzerthaus, with an alternative programme tomorrow. Sat in University Church: Mozart's Mass in C. Sat at Schonbrunn: Vienna Piano Trio plays Mozart, Debussy and Brahms (4000 8410). THEATRE

Vienna's English Theatre (Josefsgasse 12) has performances of Run for your Wife, daily except Sun (402 1260).

### European Cable and Satellite Business TV

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2000-2030, 2300-2330 World Susiness Today — a joint FT/CNN production with Grant Perry and Colin Super Channel

0830-900 (Mon) FT East Europe Report - weekly indepth analysis from FTTV 2130-2200 (Tues) Mindla Europe -what's new in European media 2130-2200 (Wed) FT Business

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Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Frl) FT Business Weekly

SATURDAY

0800-0830 World Business This Week - a joint FT/CNN production 1900-1930 World Business This

1930-2000 FT Eastern Europe

SUNDAY

1030-1100, 1800-1830 World Busi-

Super Channel 1800-1830 FT Business Weekly

Sky News 1330-1400, 2030-2100 FT Busines:

# **FINANCIAL TIMES**

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday July 22 1992

# A German role in world peace

THE COLD war has ended, but the German navy is being asked to dip its toe into the warm - perhaps hot - waters of the Adriatic. The German parliament is being recalled from recess today to debate last week's decision by the centreand three reconnaissance aircraft to join allied warships monitoring the UN trade embargo of Serbia and Montenegro. The opposition Social Democrats have claimed that the move may infringe Germany's Basic Law. Some SPD leaders threaten to call in the constitutional court to try to block the action - a move which could help by resolving juridical uncer-

tainties on the issue. Beyond the Bonn bickering lie central questions about united Germany's role in world affairs. Although putting up a solid con-tribution to Nato defence during 40 years of division. Germany has been firmly inscribed on the list of international non-combatants. Now that it has regained sovereignty, the country is struggling to find a consensus on the conditions for using the Bundeswehr for peace operations outside the Nato area. Today's debate marks a significant step towards establishing that consensus. By declaring a readiness to put its defence resources at the service of the international community, whether in the context of the United Nations, Nato or the Western European Union, Europe's strongest economic power has a duty to

live up to its new responsibilities. During last year's war with Iraq, when Germany was heavily criticised for initial hesitancy in supporting the UN-led coalition. Chancellor Helmut Kohl said it was unacceptable for Germany international efforts to secure

peace. It is now time for Mr Kohl firmly to register that commitment, even though it may add to his political difficulties at home. Greater clarity on out-of-area Bundeswehr deployment would also iron out inconsistencies in Germany's post-unification foreign policies, which - above all over recognising Croatia last year have sometimes been driven more by moral crusading than practical considerations.

There is a need for Germany to frame its military role in the spirit of partnership. Ultimately, how-ever, it will be up to the Germans to decide what sort of military power they want to be. If the international community still does not want a German policeman on permanent patrol in the world's trouble spots, then it may be a consolation that the German pub-lic, too, does not like the idea.

Two-thirds of the German popul lation, according to opinion polls, back the use of German troops as UN peace-keepers. But there are deep misgivings, expressed above all by the Social Democrats, about Mr Kohl's desire to change the 1949 constitution to permit further-reaching Bundeswehr participation, in actions backed, for instance, by the WEU. Since he needs a two-thirds Bundestag majority for a constitutional Mr Kohl must convince

the SPD that his way is best. Commenting on the impasse over the outside use of the Bundeswehr, Mr Klaus Kinkel, Germany's new foreign minister, has recently termed his country an "impotent dwarf". An international framework is now available for the dwarf to put on a little muscle. Germany should be encouraged to take advantage of the opportunity. And the rest of the

# Transport in Docklands

RARELY HAS a UK government agonised so long and hard about an apparently simple question. But where to relocate 2,000 Department of the Environment civil servants will ultimately be decided by a special sub-committee containing five Cabinet ministers.

Two years ago, in its enthusiasm for private sector funding of infrastructure projects, the government persuaded Olympia & York, creators of the biggest development in London's Docklands, Canary Wharf, to contribute £400m to the £1.7bn cost of extending the Jubilea line into east London. Since the value of Canary Wharf would rise if it were linked to central London by underground, it seemed fair that the project's owners should help pay for the line. In fact, the £400m was to be staggered over many decades. If the payments were made in one lump, they would be worth only \$160m-\$170m.

in the event, Canary Wharl's capacity to pay even its modest contribution has been undermined by its financial difficulties. It is now in the control of administrators, who are under no legal obligation to make the contribution. Yet the Treasury has insisted there will be no Jubilee line if the sums are not paid in full.

that Canary Wharf is more likely to re-emerge as a going concern if the line is built. But they feel they have only one source of funds for a first tranche of the payment: the government itself.

Two months ago, the government disclosed that it had chosen Docklands as the new home for officials of the Department of the short-list of three possible sites, including Canary Wharf. Thereupon the administrators offered either to sell a building to the government and afterwards remit the proceeds for the Jubilee line or lease the building, refinance it and again remit the proceeds.

been a straightforward evaluation of the value for money offered by the three buildings has become embroiled in far bigger issues. A further complication is the gov-ernment's fear that it will be accused of bailing out a friend, if it moves to Canary Wharf.

What must the government do? First, whether or not to relocate civil servants must be kept separate from decisions about transport investment in London as a whole. Relocation of the civil servants seems to make sense, how-

ever, because of the low rent. Second, whether or not a devel oper makes a modest contribution should not determine the line's fate. The government must, instead, do what has never been properly done: assess whether the benefits of the Jubilee line out-

weigh the costs. Third, any evaluation must take account of the additional transportation that is on the way. By this time next year, the completion of a £1.65bn road-building pro-gramme will enable traffic to pour into the area. In addition, the Docklands Light Railway will have been converted into a mass transit system at a cost of £800m. The government should make

its decisions in the light of the future interests, first, of taxpayers at large and, second, of people whose concerns also include the sensible long-term planning of the capital All else - not least the prestige of those who promoted Docklands and the money sunk into it - should be disregarded.

# Urban agencies

needed. Its most important role i would be to provide a single port of call for developers and local authorities who now deal with many different government bodies, departments and agencies. It must control the urban regeneration budget of almost £900m a year which is currently dispensed through a plethora of government

The plans announced yesterday for a new Urban Regeneration Agency fall far short of what is needed. The URA will take over only £130m of the government's spending - leaving huge patronage under ministerial control. Rather than replacing existing agencies in the inner cities, it will add another. By modelling itself on the urban development corporations, it risks perpetuating the top-down approach, rather than encouraging local partnerships between the public and private cost-effectiveness.

A ONE-STOP funding agency for urban regeneration is urgently gic approach adopted with City gic approach adopted with City Challenge which emphasises the role played in urban regeneration by economic revival, training and housing. Without such strategic elements, the URA will be just another land development body rather than an urban development agency which can genuinely revive Britain's run-down and

rebellious inner cities. The government should rethink the URA idea, to create an agency accountable to parliament through ministers, but with clear and monitored targets. Such an agency could and should control most of the government's urban programme. Government should also encourage the URA to extend the strategic approach adopted in City Challenge more widely (minus the threat to withhold funds entirely). Merely creating another agency on top of the rest adds to the confusion and reduces

ritain's building societies emitted a collective sigh of relief when the government unexpectedly cut the rate of interest on its newest National Savings product, the First Option Bond, on Monday. A general increase in mortgage rates, which looked all too likely after Cheltenham & Gloucester raised its mortgage rate from 10% to 10.99 per cent late last week, has, on the face of it,

Yet the rejoicing may be premature. In spite of this temporary accommodation, the broader logic of the government's present fiscal and monetary policies is pushing in an unhelpful direction for borrowers; and the structure of the housing market is subject to unprecedented

First, consider fiscal policy. As the chart implies, National Savings have been taking a rapidly growing share of the personal sector's nest egg, largely at the expense of the building societies. This reflects the Treasury's efforts to broaden its funding options in response to the dramatic deterioration in the public finances over the past three years. From a public sector debt repayment equivalent to 3 per cent of gross domestic product in 1988-89, the government has shifted to a horrowing requirement that is widely predicted to run at more than 5 per cent of GDP in the current year. On present policy UBS Phillips & Drew predicts a public sector borrowing requirement of 8-9 per cent of GDP by 1996, reflecting the impact of recession on government spending

and tax revenues. No matter that policy will have to adjust to pre-empt this untenable set of figures. In the absence of a remotely respectable economic recovery, and even allowing for a tough round of public spending cuts in the autumn, it is clear that the building societies and the Treasury will be on a collision course in the markets for the foreseeable future unless the government is prepared to raise taxes, which seems unlikely

for the moment. A confrontation could always be avoided as long as the government refrained from raising short-term funds aggressively in the retail savings market. Building society deposits are still just about competitive against short-dated gilt-edged stock. But since National Savings have been promoted more aggressively, savers have been presented with an opportunity to increase their return by forsaking building society deposits for government

One of the longstanding cartainties of the building society world was that retail deposits were stable. Yet the experience with First Option confirms that they become a great deal less stable if the government is offering an attractive alternative. Just as US retail savers have exploited a positive yield curve, in which bonds and equities offer a much higher income than short-term bank deposits, by removing their money from the banking system, British savers are demonthe first time, by abandoning the building societies.

The stability of retail deposits increasingly hinges on price, which is another way of saying that they are not that stable; and in today's circumstances the building societies are obliged to dance to the Treasury's interest rate tune. The move to reduce the interest rate on First Option from 10.34 to 9.67 per cent on Monday will help curb the outflow from the societies' coffers for now. But the longer-term problem

Strains in the housing market and the government's need for funds are afflicting UK building societies, says John Plender

# Uncertainty in a stable world

remains, not least because the initial interest rate on First Option was broadly in line with market

Nor will the current debate on overfunding the PSBR do anything to help the building societies' plight. City economists, including Mr Tim Congdon of Lombard Street Research and Mr Roger Bootle of Midland Montagu, are urging the so-called full funding rule, whereby the PSBR, together with maturing debt and any increase in the reserves, is fully funded by sales of debt outside the banking and build-ing society sectors. The case for such a move is that it would expand broad money and stimulate the economy by leading to lower long-term interest rates and higher equity prices. At the same time it would help stabilise sterling and reduce long-run funding costs, if the government really believes in its own disinflationary policies, by shifting the debt burden from the long to the short end of the gilts

The argument is compelling, which means trouble for the building societies because short-term rates, which matter most to them, would rise relative to long rates. For the moment politics have prevailed over economics. But a departure from the full funding principle in due course would lead to more upward pressure on mortgage rates in the absence of a monetary deus er machina. None is in prospect. The Bundesbank, which raised its discount rate last week in response to continuing post-unification inflationary pressures in the German economy, is reluctant to contemplate a significant decline in German interest rates as long as the large fiscal deficit persists, which it hreatens to do into the mid-1990s.

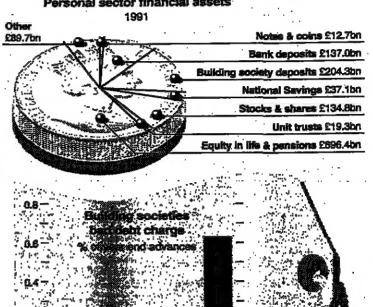
Il this gives rise to a more fundamental question. Do current mortgage rates adequately discount the risk in a housing market that has becom much more volatile than in the past? A 10% per cent mortgage rate is around one and a half percentage points higher than the risk-free redemption yield on a mediumdated gilt-edged stock that matures in seven years - the life of the

That looks a very slender margin in a business heavily biased towards a single market where prices in some parts of the country have fallen by 25 to 30 per cent. It looks doubly slender, bearing in mind that it takes a fall of no more than 5.6 per cent in the balance sheet value of the top 20 building societies' commercial assets to wipe out their reserves, known as "tier one" capital.

The widespread view is nonetheless that building societies are well

**Building societies: the pressures** build up National Savings net receipts Children de

Personal sector financial assets



capitalised on a risk-weighted basis, still profitable, and well capable of meeting the ratios demanded by the regulators. An analysis of the builddebts by Mr John Wriglesworth, of UBS Phillips & Drew, suggests that even on a worst-case assumption of a 20 per cent fall in house prices and a 200 per cent increase in bad debt provisions for 1992, the top 20 societies would have no difficulty complying with their capital adequacy requirements. But could the risk-weighting in the capital adequacy regime, which puts a weight of 0.5 on residential mortgages, compared with 0.1 for short gilts and 1.0 for other types of lending,

reflect an outdated view of the housing market and of building society profitability?

Arguably not, given that much of has leaked into the insurance sector via mortgage indemnity policies. Yet here lies the next big hurdle for the housing market and the societies. Over the past four years bad debt provisions of all the building societies, including Abbey National which has converted to banking status, have risen from £25m to £1.2bn. Because insurance companies were meeting around three-quarters of the societies' losses in the first three of those years, the societies enjoyed substantial protection.

Yet Mr Simon Adamson of the bank rating agency, IBCA, has esti-mated that the building societies' share of the losses jumped to 44 per cent in 1991. In other words they were selling repossessed houses at well below the level of their insurance cover. The further prices fall - and they are down by more than 5 per cent so far this year - the more exposed the societies become. But the insurance companies have no reason to cheer, since indemnity claims in 1991 were running at nearly four times the level of insurance premiums.

Not surprisingly, the insurance companies have concluded that providing cover for the top slice of a mortgage, typically 75 to 100 per cent of the purchase price, is a mug's game - especially if the insurance companies leave it to the building societies to assess the credit and sell the repossessed homes. They are now demanding tougher, and more or less uniform. terms from the building societies.

Instead of leaving the insurers with the top slice of the property value, the new deal involves the two parties taking a fixed share of the loss. The insurers are also asking for a range of exclusions to cover, inter alia, fraud and, more worryingly for the societies, negligence. And they are demanding access to building society records before meeting their claims. Since most mortgage indemnity policies are renewed at the end of August. this time bomb carries a short fuse.

or the building societies, the insurance companies proposal would materially increase the risks that they bear. Already one small society, Lambeth, has said that it will be reducing the percentage of value that it is prepared to lend to home buyers. The impact on an already groggy hous-ing market if others follow suit is potentially powerful, given that first-time buyers could be forced to save more over a lengthier period for a larger deposit on a home.

Coming just after the govern ment's temporary stamp duty exemption runs out, this will create despair in the estate agency fraternity. It will also worry the government, because of the implied change in savings behaviour. The sluggishness of consumer spending, and the related failure of the economic recovery to materialise, owes much to the inexorable rise in the household savings ratio. The last thing the government needs now is an outbreak of prudence on the part of first-time buyers.

The Building Societies Association is doing its best to head off the threat, by hiring consulting actuaries Bacon & Woodrow to examine alternatives to the insurance companies' proposition. According to Mr Adrian Coles of the association, the options they have been asked to examine include self-insurance and captive insurance. But whatever Bacon & Woodrow suggests, it is hard to escape the conclusion that credit risk has increased and that lending terms to first-time buyers

The all too obvious way out of this fiscal and financial box is the inflationary route that Mr John Major, the prime minister, so firmly ruled out in his anti-devaluation speech on Monday. Yet the simultaneous move to relieve pressure on the building societies' deposit base carried an echo of the old inflationary days. Once again, borrowers were being favoured at the expense of savers. It looked suspiciously like a straw in the wind.

### PERSONAL VIEW

# Snare of the Hunter

By Trevor Taylor



Mr Volker Rühe, German defence minister, has gained massive press attention by opposing the Euro-pean Fighter Aircraft (EFA) on the grounds that it is

too expensive and complex for Germany's future needs. Germany has refused to commit funds for the production stage and Mr Rühe has called for a lighter and cheaper air-craft to be developed. He has seemingly calculated that his personal popularity and ambitions to be chancellor will be boosted. However, he has also shown signs either of understanding little of the complexities, realities and inflexibilities of defence procurement, or of hav-ing a hidden agenda involving a political preference for a French or US aircraft.

Significantly, some considerations indicate that his initiative could backfire and that EFA could seriously damage his career. The worst thing for Mr Rilhe would be for the three other partners (Britain, Italy and Spain) to press on with the project, complete development and go into production. Germany would be obliged to complete its share of development at a cost of at least a further fibn. Although the German obligation is technically not legal, since it is based on a memorandum of understanding rather than a treaty, it is almost unthinkable that Germany could abandon its commitment unilaterally. German credibility in all fields would be damaged. In addition, Germany would be obliged to hand over, without payment, the technology involved so the remaining partners could manufacture the aircraft themselves. The partners could decide to contract some production to German compa-

and the second s

nies, if price gains could be won, but there would be no guarantees of work for Germany which would then have spent more than £2bn to subsidise someone else's aircraft while leaving its own combat air-craft industry, built up since the 1950s, in disarray. Could any politician survive such an abuse of his country's resources and interests?

By 1997, as Mr Rühe accepts, Germany will need to order a replacement for its F-4 Phantoms and, given the aircraft available from the US, France and Russia, EFA seems likely to offer the best value for money. Both the Luftwaffe and a German parliamentary committee have compared EFA with its poten-tial rivals: the Luftwaffe has always found in EFA's favour and the parliamentary committee has not recommended an alternative. Crucial elements in all this are

the agreements in the 1980s establishing the EFA programme. They were meant to give the four governments collectively the opportunity to stop the programme at any of a series of stages if they felt it was going out of control, particularly in financial terms. But they were also designed to discourage a country from damaging the project by withdrawing unilaterally in the middle of a stage, as Mr Rühe would like to

This is why Mr Rühe has not said firmly that Germany is withdrawing and he has argued for an alternative collaborative project to replace EFA. However, it is almost impossible to see how a new aircraft could be cheaper since £4bn or so has already been committed. While Mr Rühe may argue politically for a lighter, cheaper aircraft, few in the German air force or industry agree with him. Thus he will find it hard to produce hard technical arguments to reinforce his

case. For instance, a lighter aircraft would not need the two EJ200 engines developed for EFA while a single EJ200 would not be adequate for other than a very light combat aircraft. A new, larger engine would therefore be needed. A new airframe would require a different flyby-wire control system as well as further expensive tests. Moreover, the controlled technological ambitions of EFA have helped its development costs to stay within budget. In contrast, the latest US fighter development programme, the F-22, incorporates expensive "stealth" and supersonic cruise technologies.

Of course, EFA is far from safe because both Italy and Spain have financial problems and the UK chancellor is believed to have some reservations about this project. In this situation, there is merit in the UK's approach of continuing to talk to Germany and pressing industry to bring down further the acquisition price and life cycle maintenance costs. Further savings would be possible by cutting the number of planned assembly lines from four to two.

As such considerations are brought home in the coming months, Mr Rühe may appreciate a chance to pretend he has negotiated a new aircraft. Technically, given that the airframe, engine and fly-bywire controls cannot be easily changed, a lower specification for the avionics would be the obvious way to symbolise that Germany was going to buy a less capable aircraft than it had planned during the cold war. Mr Rühe will also want a new name for the Jager 90, as EPA is called in Germany. Something less aggressive than Hunter 90 would be

The author is head of the International Security Programme, Royal-Institute of International Affairs.

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# **Edward Mortimer**

# The real issue in Iraq

thousands of Iraqi demon-Basra. As well as constant shelling, these operations include the deliberate pollution failing to support the March insurrection in both north and south, at a moment when the marched past FOREIGN the UN inspec-AFFAIRS tion team outside the agri-culture ministry in Baghdad on Monday. The Ba'ath party organisers who coined that slo-

gan understood correctly what the real issue in Iraq is. Not that the weapons programmes which the UN team is investigating are unimportant. The thought that Iraq is probably still producing and developing weapons of mass destruction is deeply worrying, and the Security Council is right to take a serious view of the regime's continued prevarication on that issue.

Moreover, its refusal to cooperate with the UN inspectors is a clear breach of the ceasefire terms enshrined in Security Council resolution 687, and therefore provides member states with legal justification for any action, including military action, that they may decide to take in response.

But the crisis over the UN inspection team is only part of a broader crisis in which the issue is the continuance of President Saddam Hussein's regime; and his refusal to admit the team to the agriculture ministry is only one of a number of recent defiant gestures towards the UN: He has rejected UN terms for limited sales of Iraqi oil to

finance imports of food and • He has failed to renew the memorandum of understanding with the UN under which international humanitarian agencies are working in Iraq. He has stepped up harassment of UN and other agency staff, using agents to throw the northern Kurdish area which allied air cover has put outside his direct control.

 He has withdrawn his representatives from the UN commission which is tracing the Iraq-Kuweit frontier. • He has continued military

operations against Shia refugees in the marshes north of Any new military action against Saddam Hussein must be part of a political strategy

of the marshes with containerised sewage, and preparations to drain them with a view to bringing in armoured vehicles. Since an Iranian air attack on the base inside Iraq of an Iranian opposition group in early April, the Iraqi air force has resumed flights by fixedwing aircraft - another breach of the ceasefire terms.

There are two interpreta-tions of this behaviour. The gloomy one is that Mr Saddam feels increasingly confident about his hold on power, and therefore able to defy the UN with impunity. The optimistic one is that his defiance is a desperate attempt to overawe an increasingly restive popula-tion which sees his authority gradually weakening, and to restore the morals of his supporters and subordinates. Probably both are partly true.

There is plenty of evidence To get a majority for such that sanctions are biting, and resolutions might be difficult, the fact that Mr Saddam's writ The objective must interference in does not run in the north of the be the extension affairs" that country, while some Shiz resisof the 'safe haven' to include the

must tend to \_\_ undermine his authority in the rest of it. But he probably also calculates that another serious internationsi effort to deal with him is

tance continues

in the marshes.

unlikely. There are many good reasons for not wanting Mr Saddam to get away with it, ranging from the welfare of the Iraqi people through the stability and secu-rity of the Middle East to the spread of weapons of mass destruction. But those who do not want him to get away with it, including the govern of Britain, France and the US, need a clearer strategy for dealing with him.

Their policy since the cease-fire on February 28 last year

been too reactive. After

nate Shias in the south, being

largely out of sight of TV cam-

The Security Council did

pass resolution 688, urging the regime to desist from repres-sion throughout Iraq and to

co-operate with UN humanitar-

the secretary-general to moni-

tor compliance and report back. But that resolution,

unlike those concerned with

the Gulf war and the ceasefire,

has no coercive force unless or

until it is backed up with fur-

ther resolutions aimed at

age over other member states of which it has shown itself

capable when it wants some-

thing badly enough. Anyway, in the Kurdish case the west-ern powers did not trouble

themselves with legal argu-

ments: they simply acted.

given the direct

involved; but

not necessarily

impossible if

the US exer-cised the lever-

would

enforcing it.

whole country

agencies, and instructing

eras, were left to their fate.

regime was reeling from its defeat in the war and might easily have disintegrated, they intervened in extremis, and under strong pressure from public opinion, to secure a "safe haven" for the Kurds in the north, while the unfortu-

Iraq's territorial integrity.

Luckily, the Kurdish leadership has realised the risks italics] and within a unitary

Iraqi state". The two main Kurdish lead ers, Mr Masoud Barzani and Mr Jaial Talabani, are expected to form a pan-iraqi delegation with two Shia and two Sunn Arabs, to meet Mr James Baker in Washington next week. His willingness to receive them is an important signal that the US supports a democratic alternative for the whole of Iraq, and not only for Kurdistan. He should follow i up by promising to support a provisional Iraqi government, based initially in the north, and to help it expand its authority southward by using air power to neutralise any

tries to use against it. More action is needed now. It would be tragic if it took the The ultimate objective must form of bombing raids, aimed to be connected with Iraq's weapons programme, but with no strategic aim other than to demonstrate western governments' displeasure and so make them "feel better". Instead, any military action should be part of a political strategy whose clear aim would be the deposition of Mr

Saddam and his replacement

sadam and his replacement with a regime chosen by the Iraqi people.

The relative success of the "safe haven" in the north shows that air power can be used effectively to undermine the regime's authority by interdicting its use of military force for the purposes of repression. The danger of that tactic as used so far is that it has created a quasi-independent Kurdish state, contrary to the declared aim of all the governments concerned to respect

involved. Although free elections held in Kurdistan in May gave it an unquestionable authority and legitimacy, it did not use them to declare independence, but instead sent representatives to the Iraqi National Congress, held in Vienna last month, which endorsed the total equality of all citizens including the peo-ple of Iraqi Kurdistan, recognising their right to self-determination short of secession [my

be the extension of the "safe whole country. Meanwhile, it should be clearly recognised that the target of sanctions is not the Iraqi people but Mr Saddam's regime. The present absurdity of applying the sanctions to the "safe haven" which the allies themselves created should be ended at

armed forces that Mr Saddan

PERSONAL VIEW

Many people are sadly puz-zled that there

is still no sign of economic

recovery. It is right to be sad, but

wrong to be

Has there ever been a serious

regarded as a crisis measure -

not one to be maintained for

There is one apparent prece-

dent: the mid-1980s recovery

from the last recession when real interest rates, although

not as high as now, ranged from 3-5 per cent in the years

1982-84, rising further as expansion gathered pace in 1985 and 1986. Some may feel encour-

aged by this, arguing that

then, as now, policy was driven

by the need to crack down on

inflation and inflationary

expectations; and that as these

duly fell, a strong and sus-

tained recovery took place -the only problem being that it

The precedent, however, is misleading. The initial policy

shock was administered by means of a tight fiscal policy, a

high exchange rate and (ini-

tially) low real interest rates,

imposed on an economy that

was relatively under-borrowed

(1980 registered the peak post-

war personal savings rate of

Recovery from the recession

was driven by two forces not in

prospect now: a sharp fall in the exchange rate (18 per cent

between 1982 and 1984) and a

massive expansion of credit

throughout the period associ-

ated with financial deregula-

tion. (Deregulation was seen as

a supply-side measure at the

time, but no less an authority

than Nigel Lawson has

recently drawn attention to the

substantial and significantly

underestimated effects on

This time round, the authori-

ties have for three years been

working to curb the inflation-

ary excesses of a seriously

over-borrowed economy with

high real interest rates, a loose

fiscal policy and a fixed exchange rate. The excessive

credit expansion of the 1960s is

being unwound with a ven-

geance, but will continue, as the infernal machine of com-

pound interest takes its toll, to

Cash flow

was too stustained.

16.5 per cent).

demand.)

# **Credibility** gap in policy

By Sir Kit McMahon



Sir Kit: 'Way out likely to be messy and embarrassing'

exert a downward pressure on the economy for some time to

A man from Mars would find our official policy stance sur-prising. So indeed might a man from the United States, where, confronted by a similar hangover from a credit boom and although stuck with gigantic fiscal deficits, the authorities have acted in a classically appropriate way by dropping interest rates and letting the exchange rate fall. They are being rewarded by some recovery, although the slowness and apparent fragility of this testify to the dragging power of debt deflation, even when it is being

tackled appropriately. Why then is the British economy being put through this particularly painful wringer? The first answer is, as it was in the early 1980s, to squeeze inflation out of the system. If, because inflationary expectations are so stubbornly embedded in the UK, it is necessary to produce a deep and long-lasting recession to get retail

price expectations down from say 45 per cent to 2 per cent. then so be it. As the years go by and the damage mounts, one might query whether this game is worth the candle. But if it is, the situation cries out for tight fiscal policy another "Howe" Budget (with savage expenditure cuts, tax increases or whatever was necessary) to allow interest rates to drop.

But of course the main reason given for maintaining interest rates at current levels is our membership of the exchange rate mechanism of the European Monetary System. It is true that the maintenance of our present ERM parity is not consistent with the substantial (at least 2-3 per cent) drop in interest rates that we need. And we are told that a devaluation within the ERM, let alone allowing sterling to float for a period, would produce a blow to confidence and a loss of official credibility that would be quite unacceptable.
Our situation is so serious

that there is unlikely to be any way out of it that is not messy. embarrassing and risky; and does not involve eating a lot of official words. But, having entered the ERM, after 11 years' delay, at the wrong time, at the wrong rate and in the wrong manner, must we really regard the indefinite maintenance of the parity then chosen as the ultimate touchstone of political and economic credibility?

For one thing, we shall not be able to hold the present exchange rate for ever. By the end of this year we shall have notched up a cumulative deficit of £70bn since 1987 (and a net deficit of £50bn since North Sea oil first arrived). If and when the economy recovers the deficit will expand beyond its rate of £10bn a year. Of course, no one can say how long this deterioration in our balance sheet, with its cumulative effect on our invisible earnings, can go on. Maybe for years. But this tree will not grow to the sky.

Commitments to an exchange rate are meant to be difficult to abandon: that is their purpose as a policy tool. But they are not meant to be *impossible* to abandon until there is a single currency. The way towards a single currency lies through a serious and sustained integration of the economies concerned, not through gestures which can be widely seen to have inappropriate economic consequences. (If by his-torical accident we had not yet joined the ERM, who can doubt that our interest rates would

The recently ended series of optimistic forecasts from the chancellor, each falsified in turn, indicates that the government itself did not expect or will the effects on the economy

that we are suffering.

For the moment, however, we cannot expect a serious shift towards tight fiscal policy, lower interest rates and a lower exchange rate. It is more than 20 years since the UK has operated in a fixed exchange rate regime, and many people have forgotten, or never knew. the paralysis which that is apt to produce in British policymaking. Serious action is unthinkable until it happens. In the meantime, activity will perhaps inch up as inflation inches down and that may be thought to be enough, at least during the British presidency of the European Community. But one day, something really will have to be done.

The author is the former chairman of Midland Bank and for-mer deputy governor of the

# **OBSERVER**

## Nelson loses his touch

second division one.

■ Who's to blame for the peculiar affair of the too successful National Savings Bond? It is rare indeed for the government to be pushed around by a building society, let alone a

Did the authorities just get the rate wrong or did they, the sheer scale of protest? A post-mortem need not take too long. For a start, there is no point in blaming the poor old National Savings movement. It is doing everything the gov-ernment wanted. Besides having more than doubled its conbution to Treasury coffers, it is behaving remarkably com-mercially, helped by the presence on its board of Mark St Giles and Roy Heape, two leading lights in the UK unit trust

No one can sensibly argue that the people running National Savings had no feel for the likely impact of any rate move. They knew what they were doing, as the government should have. If the Treasury was unsure, it could have tapped the chancellor's old adviser. Alastair Ross Goobey, who sits on the board of the Cheltenham & Gloucester Building Society, which has been kicking up all the fuss.

industry.

Clearly, the government had access to plenty of advice but ignored it. If anyone is to carry the can, it is Tony Nelson, the ex-Slater Walker hand, who is now Treasury economic secretary and the minister responsible for National Savings.

### Inside job

Having failed to tempt Paul Dacre to leave the Mail stable for the editor's chair at The Times, is Rupert Murdoch now going to give the helm of his



Although Rupert Pennant-Rea, who followed News International chairman Andrew Knight into the editor's chair at the Economist, is rumoured to have been sighted near The Times' Wapping HQ, an emerging favourite seems to be deputy editor Peter Stothard, a protegé of former Sunday Times editor, Harry Evans.

It would certainly be a relief for those Times backs who feared that the likes of Dacre would drag the ship far too downmarket

### U-turn

■ The skirmish in the normally friendly world of motor dealers is turning nasty. T Cowle, bidding £26m for Henlys, is going through the usual process of condemning Henlys' marragement,

rubbishing its strategy and picking apart its businesses. So why, puzzles Robert Wood, Henlys' chief executive if Henlys is such a dud outfit, did Gordon Hodgson, chief executive at Cowie, twice buy Henlys shares for his PEP last year and this?

Hodgson is, by the way, showing a tidy profit on the

Seal of approval ■ Michael Green's arrival on the Reuters' board is an important step in the City's rehabilitation of a whiz-kid who had been almost written

off two years ago. Unlike some of the shooting stars of the bull market in the late 1980s the 44-year-old chairman of Carlton Communications has shown

real staying power. Two years ago Carlton's shares collapsed after the market latched on to a



cautious trading statement. but Green, an old friend of Gerald Ratner and Charles Saatchi, persevered and won the London weekday ITV franchise from Thames

His standing in the City should rise further now that Reuters' chairman Sir Christopher Hogg has given his stamp of approval

### Asian law

You won't find the name of 44-year-old Sarosh Zaiwalla in Who's Who or Debrest's People of Today, but when it comes to Britain's growing network of Asian millionaires

His latest venture, putting together Europe's first Hindi-language satellite TV station, is a reminder of how easily he flits between the worlds of international big business, showbiz and politics.

Zaiwalla, senior partner in his own London law firm, has been hovering around the fringes of the Conservative party for several years but first came to national attention when he organised a

### pre-election "power dinner" for Asian basinessmen at Number 10

Now he is giving the same sort of attention to TV Asia, a 27m project which brings together Faisal Sherjan, Pakistan's TV king, a wealthy politician close to Benazir Bhutto, and Ajitabh Bachchan (brother of Indian movie star Amitabh).

Like many lawyers, he finds no difficulty juggling a sometimes controversial client list, which includes Bachchan (for whom he acted in the Bofors arms controversy), Greek shipowners, and some of the more wealthy BCCI depositors. The Indian government is an ex-client; relations soured with New Delhi after a tiff over unpaid fees of £350,000, Milearmed

friends have been instructed.

And could there be a starring role for him on TV-Asia? Hosting a show on legal problems would seem a fitting

### The real thing ■ As Europe embarks on its hols, spare a thought for the

poor Russian motorist. Petrol stations are few, and filling up the family car can often involve several hours' queueing. Indeed, some towns near Moscow have been known to han the sale of petrol to visitors from the capital in order to conserve their own

scarce supplies of fuel.

Hence, it comes as no

surprise to learn that farmers in the Kursk region are turning to a more reliable and purer source of horsepower. The price of a "good workhorse" has been rising sharply. It is now between 15,000 and 20,000 roubles, or between \$110 and \$150. That may not sound a lot by wastern standards, but it is three or four months' salary for local people.

# pressures on N Sea operators

From Dr Harold Hughes. Sir, The innuendo at the conclusion of Ian Rutledge's letter (July 20), shout the tax regime applying to offshore oil and gas activity, and the working relationship between oil companies and government, is misplaced. The North Ses is in world terms a high-cost operating province. Predictions of flat real international oil sterling prices, coupled with unit costs of work offshore that are now rising much faster than monetary inflation, are giving the UK offshore companies a thin time. Indeed some are experiencing negative cash flows for their current overall activities. Does Dr Rutledge believe in

taxing negative cash flows?
A stable fiscal system is necessary to keep interest alive in the North Sea under such economic conditions, and this is certainly in the country's short- and long-term interest, especially from the aspect o the industry's substantial [£7.6bn per annum in 1991] contribution to GNP and to the UK's balance of payments posi-

Nevertheless, marginal tax take on the larger, generally older, fields remains at some 86 per cent. The technological progress and business skills of the industry need the complement of a responsive tax regime to give confidence to companies when they contem-

# Shrinking savings 'cake' behind weak consumer spending

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

From Mr Chris Dillow. Sir, The claim that building societies are losing deposits to National Savings is only part of the truth ("Building society lifts home loan rate", July 18). Taking the sum of inflows into building societies and National Savings together, the total in the first half of this year was 23.2bn, compared to £5.5bn in the same period last year. Therefore, the problem is not that National Savings are taking a bigger share of the savings "cake", but that the cake has shrunk. This is not due to people choosing instead to repay debt. Building society figures show that mortgage repayments in the first five months of this year were actually lower than last year.

Instead, the problem is that total individual savings (be they acquisitions of financial assets or repayments of debt) are extremely low. This does

plate continuing to extend the UK gets this wrong. Harold W D Hughes, director-general, UK Offshore Operators Associa-

the May timetable from 9.1 minutes to 10.8 minutes. This is a rise of almost 20 per cent

for this journey of 3% miles. I

am not aware of any engineer-

ing works affecting this route.

ress, I looked up the same

range of rush-hour trains in a

1922 Bradshaw timetable; the

average journey time then was

Jane's Urban Transport

10.2 minutes

editor.

Chris Bushell

London SE14 1TF

To measure 70 years' prog-

3 Hans Crescent, London SW1X OLN

their investment in the North Sea under the very tight eco-nomic returns it now offers. There are plenty of oil and gas investment opportunities available elsewhere in the world if

### Train times running backwards

From Mr Chris Bushell. Sir, Notwithstanding Inter-City director, Brian Scott's defence of extended journey times between Bristol Parkway and London (Letters, July 20), I know that commuters in several parts of Britain are wondering why some rush hour timings have been extended since the introduction of targets under the Passenger's Charter.

At my home station, Brockley, the average journey time of trains to London between 7am and 9am was increased in

### not show in personal savings data because these include the dividend income of life assurance and pension funds and employers contributions to

such funds; such incomes are, in effect, "forced savings". This low level of individuals' savings implies that the weakness of consumer spending is not due mainly to people being "scared to spend", but simply to the fact that real incomes (excluding pension funds' divi-dend incomes) have been falling as employment has fallen. It follows that lower interest rates are not the only means of stimulating spending. Any policy which boosts real income such as increased public spending - will also do so. Chris Dillow,

UK economist, Nomura Research Institute Ешторе, Nomura House,

Turkish

# **Cypriots** suffered From Berin Lewis.

Sir, in your leader, "They must be stopped" (July 16), you talk of the failure of the international community to do any thing to "prevent the ethnic cleansing" carried out by Turkey in Cyprus.

May I point out that the "large numbers of people forci-bly driven from their homes and killed" were the Turkish Cypriots in the first instance, not the Greeks.

This "ethnic cleansing" was done while Turkey waited patiently for 14 years for the international community to do something about it, as "violence and ethnic cleansing" were not acceptable to Turkey either, only in this case it was not mere cleansing, but killing. Berin Lewis, PO Box 415, Lefkosa. Mersin 10.

Turkey

## No not a maybe to leaving **ERM**

From Prof David Currie. Sir, For the record, my answer to the question "Would leaving the ERM help Britain? is an emphatic no, not a maybe as you report (July 18).

To leave would be to throw away the prize of inflation to be won from the pain of the last two years. Equally, a devaluation within the ERM would be a serious error, though there may be circumstances in the future (with inflation and government borrowing under control and an independent Bank of England) where a devaluation within the

ERM would be less damaging. The government has no alternative but to stick to its current policies: these offer the prospect, for the first time for a generation, of low and stable inflation. The alternatives would throw away this prize. David Currie,

Centre for Economic Forecasting, London Business School, Sussex Place, Regent's Park. London NW1 4SA

### Adam and Eve and others

From Mr A H Hermann. Sir, As a devoted reader of the last item in your Observer column, may I point out that the three protagonists featured in "At the core" (July 20) all have the facts completely

wrong. The Englishman and the Frenchman seem to believe that it was Adam who offered the apple to Eve, when we all know on the best authority (Genesis, 3) that it was the other way round. And far from having nothing but an apple to eat, as the Russian asserts. they could eat the fruit of all the trees in the Garden of Eden, except that from the tree of knowledge of good and evil and the tree of eternal life. A H Hermann. 14 Fawley Road.

London NW6 ISH

# FINANCIAL TIMES

Wednesday July 22 1992





A crowd estimated at 15.000 stands in silence outside police headquarters in Milan yesterday to protest against the killing in Palermo on Sunday of magistrate Paolo Borsellino and five bodyguards in a car bomb attack linked to the Matia. The mayor of Palermo and seven junior judges working on Matia cases have resigned in protest at government inaction

which specialises in loans for

businesses in the capital, will be

Other businesses on the list

include housebuilders, the oper-

ating company for the canal con-

necting the rivers Rhine, Main and Danube and a holding com-

pany involved in property, waste disposal, warehousing and trans-

The minister's proposals,

approved by the cabinet yester

day, follow last week's announce-

ment of partial privatisation of the federal railways in a project due to start at the end of next

Mr Waigel also confirmed yes

terday plans to sell off surplus land and buildings currently

owned by the western Bundes-

The government currently

holds direct or indirect stakes in

more than 400 commercial con cerns, including transport, travel agencies, hotels and the Bonn press club.

that I said to both sides: 'If you'll

stop shelling yourselves, maybe we'll have peace around here."

The general, who referred to

his "obsession with impartiality"

said: "The citizens of Sarajevo

assumed that our arrival would

stop the war. People are suffering here, being shelled and killed

every day, and a bunch of guys

drive into town in white vehicle

with blue berets on and they

expect the fighting to stop tomor

doesn't stop tomorrow becaus

that's not in our mandate, who

are they going to blame? They blame us - I understand that."

He said the Serbs surrounding

the city "have a big problem". If they removed their heavy weap-

ons the Bosnian forces were

strong enough to make signifi-

There have been some state-

ments already from this new gov-

ernment in Israel that we find

promising, that we think inspire

trust and confidence, and we

hope and believe that we'll see

some new statements as well

from Arab capitals," During visits to Jordan, Syria and Saudi

Arabla, Mr Baker may press the

Arabs to consider lifting their

economic boycott against Israel.

UN and EC disagree, Page :

Editorial Comment, Page 10

cant gains against them.

row. And when the shelling

# Germany puts Telekom top of latest privatisation list

By Christopher Parkes In Roon

THE GERMAN telecommunications network. Deutsche Telekom, is to become the "people's share of the nineties" in a privatisation programme unveiled yesterday by Mr Theo Waigel, finance minister.

The government will also sell off its remaining 51 per cent stake in the Lufthansa airline "as soon as possible".

Announcing plans to press on with the government's long-term aim of withdrawing completely from business and industry with the sale of "a good two dozen" state concerns, Mr Waigel warned, however, that privatising the telecoms network would

Private advisers had told him that 100 per cent privatisation of Telekom could raise up to DM70bn (\$46bn), but he offered no estimates of the total the gov-

peacemaking force of 40,000

would be needed to be effective

in Sarajevo alone, General Lewis

MacKenzie, the senior UN soldier

in the Bosnian capital said yes-

terday, Reuter reports from Sara-

the troops guarding Sarajevo air-

port and keeping open supply lines, said: "This is is the first

time a [UN] peacekeeping force

has been deployed when there's

peacekeeping to a peacemaking

force. "You can't move from one

to the other - it's absolutely and

totally impossible," he told a

news conference broadcast live

on Sarajevo radio and television.

Yesterday, the UN peacekeepers struggled to maintain an air-lift of humanitarian supplies for

some 380,000 civilians trapped in

Sarajevo. Several cargo aircraft

landed in the morning but UN

forces were then forced to sus-

pend flights after several mortar

course of peace," he said. The

Israeli prime minister laid a

wreath at the tomb of the late

President Anwar Sadat, whose

1977 visit to Jerusalem opened

the way to Egypt's peace with

Mr Sadat, whose mission set off

Continued from Page 1

Israel in 1979.

The UN had never converted a

no peace to keep."

The general, who commands

ernment hoped to earn from the

It was unclear yesterday when substantial funds would start flowing in. As the Economics Ministry pointed out, the current state of the stock markets was "not exactly ideal" for floating the loss-making Luthansa.

Bonn also intends to hold on to a 25.1 per cent blocking minority stake in the airline for as long as competing enterprises in other countries remain under state con-

The last wave of privatisations, completed in 1987 and 1988, when Bonn sold its remaining holdings in motor manufacturer Volkswa-gen and the Veba and Viag congiomerates, yielded more than DM10bn for the federal coffers. Mr Waigel's latest offering

includes the 49 per cent federal stake in Nebenbetriebe der Bundesautobahnen, which runs 670 motorway petrol stations and res-

The Berliner Industriebank.

UN general says Sarajevo

needs peace force of 40,000

Operations were resumed about

90 minutes later, according to

The general, who hands over

his command at the end of the month when French, Ukrainian

and Egyptian troops replace his

Canadian battalion, sald he had

been with nine UN missions, but

that Sarajevo was 10 times as dif-

ficult as the others put together.

pitals, artillery beside schools,

mortars and other weapons are carried in ambulances - I've

never seen the Red Cross abused

like that, on both sides ... when

you start to break the interna-

tional rules of war, its a down-

ward spiral. It doesn't get better,

it gets worse."
Gen MacKenzie, who was fre-

quently heckled by his audience

of Bosnian journalists, accused

both sides of shelling their own

people to try to influence events.
"We have evidence that both

sides shell themselves in order to create a particular image. I got so

Moslem extremists in 1981. The

US secretary of state, Mr James

Baker, was yesterday exerting

strong pressure on Arab states to

make compromise gestures

Speaking to reporters in Jeru-

salem before leaving to visit Arab

capitals, Mr Baker said he would

be "carrying a message that in

towards israel.

a firestorm of criticism in Arab my view there is a new opportu-

capitals, was assassinated by nity to move forward." He added:

Mubarak says he is ready to visit Israel

"Mortars are set up beside hos-

Gen MacKenzie.

rounds hit the airport. frustrated about this a month ago

# Staying on at work now seems an old fashion

By David Goodhart, Labour Editor, in London

FORMAL employment for men and women aged 55 or over is going out of fashion in the industrialised world, according to the Organisation for Economic

Co-operation and Development. Only 10.9 per cent of Italian men of that age are in employ-ment, 33 per cent of British males, 28 per cent of Frenchmen and 37 per cent of American men, according to figures in the OECD's latest Employment Outlook. The exceptions are the older men of Japan, 60 per cent of

whom work. The figures for women aged 55 and over in the UK and in Japan are about half of those for the men - at 15.7 per cent and 30 per cent respectively. In France the

figure is 17.5 per cent.

The OECD, which does not approve of this waste of resources, says that 20 years ago in most industrial countries between 35 and 50 per cent of men aged 55 and over were in the labour force - now the figure on average is between 20 and 35 per

That is one reason for the ver high levels of what the OECD calls "non-employment" - referring to people of working age who are either unemployed or not participating in the labour market - which now apply to 25 per cent of men and 50 per cent

of women in the OECD countries. The OECD blames government social security rules, occupational pension schemes and a large increase in the number of people covered by sickness and invalidity schemes for the drift away from the labour market by older workers.

To avoid minimising conflict with employees and unions, says the OECD, companies have designed redundancy packages which allow people to retire at 53 or 54 with almost the same benefits as if they were to work to the

The OECD complains that this is throwing away valuable skills and, like many lobby groups for older people, calls for more flexi-

ble retirement ages. Concern, the UK charity, believes the figures are further evidence of "ageism" - discrimi-

nation against older people. However a senior official at the UK's Department of Employment said attempts to lure older workers back into jobs in the late shortage in the south-east of England, had not been successful. "We had a furious reaction ple that they might take jobs rather than just stay at home receiving benefit", the official

High jobless total, Page 3

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# THE LEX COLUMN BA's high price ticket

British Airways' deal with USAir is a vivid illustration of the unique nature proposition is that BA should pay 383m for a 32 per cent stake in a business whose entire market capitalisation on the day before the deal was £319m. On a voting basis, BA's stake will be only 21 per cent. Granted, BA will get preference stock yielding 7 per cent, whereas USAir's equity yields nothing at all. It is also claimed that putting the two businesses together will produce handsome cost savings, if not for another couple of years. But if yesterday's mere 10 per cent rise in USAir's share price is a guide, Wall Street, with its long and depressing experience of US domestic airlines, is

in no hurry to be convinced.

The 4 per cent rise in BA's share price yesterday will have been partly due to relief that among the various deals which the company was working on, it has settled for one which will not involve a rights issue. On the other hand, gearing will be pushed to nearly 100 per cent. Given that the deal could ultimately involve a further payment of up to \$600m and that BA plainly has ambitions for other linkups elsewhere in the world, the threat of a future cash call should perhaps

On the bright side, it should be pointed out that USAir gives BA its entry into the US domestic market. besides offering a leading position in a handful of US east coast airports which account for some 40 per cent of transatiantic travel. It also brings in a business with £3.8bn of turnover to add to BA's £5.2bn. It is also plain that the US domestic airline industry cannot continue as it is: it must either get a good deal better or a good deal worse. But it is still sobering to reflect that if BA and USAir had been formally combined last year, their pre-tax margin on joint turnover of £9bn would have been just 1.3 per cent.

### US economy

Mr Alan Greenspan, Federal Reserve Board Chairman, looks like a man determined to keep his options open. Those looking for hints of further easing in yesterday's congressional testimony may draw some satisfaction from his admission of disappointment with the pace of economic recovery in the second quarter. The same goes for the assertion that US inflation is to sink to a level lower than has been sustained for 25 years. Those expecting no change in policy will point to

FT-SE Index: 2415.6 (+11.9)



the forecast of increased economic momentum and the excuse, in the

form of changed velocity, for money supply growth stuck below target. The Fed may now be in a reactive mode in which it will ease policy again if the recovery does not pick up over the summer. But implicit in Mr Greenspan's remarks is a degree of doubt on-whether a further fall in short term-rates would help. The real need is to keep long term rates headed lower to encourage mortgage refinancing and ease the burden of consumer debt. If Mr Greenspan's natural inclination yesterday was to reassure the politi-cians about growth, he will also have been anxious to ensure that the mar-kets heard his message en inflation.

### Reuters Holdings

For a company in the communications business, Rauters sets an extraordinarily had example. If does not regard the price it is paying to buy out the minority interests in Visnews as material to its shareholders. It does not claim to know exactly how much investment will be required to build up its video news service. It offers only the vaguest of explanations as to where £15m in rationalization costs went in the first half. And it does not see any need to disclose the transaction volumes on its newly-launched dealing systems.

There is, however, no escaping the lacklustra indications underlying yesterday's announcement of a 10.2 per cent increase in interim profits. Higher interest income accounts for nearly two thirds of the advance and the company admits to disappointment on revenue growth. It has

stopped surcharging customers for packaging new facilities into existing financial services and admits to doubts about when demand will be strong enough to permit resumption of this once lucrative pricing policy.
It is thus legitimate to ask whether

Reuters' heady growth of recent years is now history. Certainly, there cannot be much joy in selling banking prod-ucts in Japan these days, or in the US, for that matter, where mergers are shrinking the market. The newest dealing products are off to an unexciting start. The thought occurs also that the managers who developed Reuters' great money-spinners like its Monitor

service have long since moved on. Perhaps the Visnews announcemen is trivial in itself and timed to distract attention from such worries. Perhaps it really is intended to add a significant new dimension to Reuters' news activities. That would make strategic sense. But it would also require heavy investment in a side of the busines which has never distinguished itself in terms of margins or earnings growth. Whatever the answer, the shares look expensive on a running multiple just below 19.

### SmithKline Beecham

In its quiet way, SmithKline Bee cham is turning out the glamour stock of the UK pharmaceuticals sector. Since the start of the year it has outperformed Glaxo by some 25 per cent and Wellcome by nearer 30 per cent. It was always going to take several years for the market to be satisfied of the success of the merger. It also took time for equilibrium to be established between US sellers and UK buyers of the merged stock. But yesterday's second quarter figures — underlying pretax profits up by 15 per cent, in spite of zero price increases and a 2 per cent fall in Tagamet's volume — show there is still growth after the immediate cost savings from the merger have worked through.

For the sector, of course, the over-shadowing influence this week is the Wellcome sale. But however that may be scaled back, it will surely not be pulled. The Wellcome Trust, after all, is merely swapping assets within the equity market. For purposes of charitable funding, locking into an indexed fund on a starting yield of 5.1 per cent is a remarkable opportunity. With all that, it is worth recalling that SB is on a substantially lower multiple than Wellcome and on only a modest pre-mium to the market as a whole,

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with BA's acquisition of a stake

access to the US east coast.

ers currently hold about 4 per

the costs of the investment which

will come from its own resources.

It will also appoint four of

USAir's board of 16 directors as well as another two non-execu-

live directors who will sit on the

Perhaps more importantly, the tie-up gives BA access to the US

air travel market, which

accounts for some 40 per cent of global air traffic. This will help

smaller low-cost operators such as Virgin which fly to only a

handful of US cities. A combined

BA and USAir will be able to sell

through tickets to 204 US cities,

BA also plans to exploit econo-

mies of scale in areas such as

marketing, maintenance and pur-chasing. This will help it chal-lenge the position of the world's

biggest airlines, United and

American, which last year took

compared with BA's current 19.

boards of both companies.



### INSIDE

### German banks poised for shake-up

WestLB, the acquisitive state bank of North Rhine Westphalia, seems set to take a substantial stake in its closest southern neighbour, the Landesbank Rheinland-Pfalz, following a decl-sion yesterday by the Rhineland Palatinate government to sell a 50 per cent holding in its state bank. WestLB is also co-operating with NordLB from Hanover for a stake in the Kielbased state bank of Schleswig Hoistein. If successful, the deals will mark substantial progress in the restructuring of Germany's regional banking network. Page 14

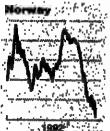
### Metals revival may be tarnished

Prices on the London Metal Exchange have been rising strongly in recent weeks, turnover is high and some traders have dusted off the vintage champagne bottles to celebrate. The casual observer might mistakenly assume the LME's upbeat mood is signalling world economic recovery is on the way. But the LME is giving some distorted signals. Page 20

### Nortel suffers setback

Northern Telecom has suffered a one-third drop in second-quarter earnings, the first profit setback for the fast-growing Canadian telecom-munications equipment maker in almost three years. Page 15

### Norwegian nadir



The Norwegian stock market has been pulled down by 10.5 per cent this year. On Monday, the all-share index hit a three-year nadir of 369.99. But Norway's domestic strength; in North Sea oil and metals, is producing cautious optimism, at best, for the second half.

### Sears, Roebuck advances 15% Sears, Roebuck, the US retail and financial

in second quarter net income. The group lifted the figure to \$345.8m, a 15.5 per cent advance on \$299.4m a year ago. Page 15

### Turties armed with a smile

The smiles on the faces of the Teenage Mutant Ninja Turtie puppets must be as wide as those of the people who put them there: Advanced Risc Machines (ARM), based in Cambridge, developed the microprocessors at the heart of computer controls inside the Turtles. The chips were recently chosen by Apple, the US computer company, for its all-in-one portable electronic notabook, word processor, tax machine and computer. The success of ARM, with only 30 employees, is impressive when large semi-conductor manufacturers are suffering in the face of competition and price falls. Page 18

### Bond yleids tumbie in Japan

Japanese government bonds yesterday reached levels not seenfor nearly three years as the Bank of Japan allowed moneymarket interest rates to drift lower. The tumbling bond yields are the latest sign that investors expect weakening of the Japanese economy by relaxing their monetary stance atili further. Page 16

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Greene King

# Citicorp lifts profit despite

CITICORP, the largest banking group in the US, yesterday provided evidence of a solid recovery in overall earnings in spite of tre-bled North American commercial

property losses. The bank's second-quarter net profit was \$171m, compared with \$11m in the same period of 1991. Earnings per share were 32 cents against a loss of 12 cents.

A second-quarter loss of \$355m was reported for the North American commercial property division, more than three times the

\$108m loss of a year ago.

Mr John Reed, chairman, said the results showed the bank to be on track to meet the objectives of its reorganisation and capital building programme. He cited the improved operating margin of \$1.8bn, an increase of 24 per cent

The bank's core consumer division achieved a 34 per cent rise in net earnings to \$234m, on revenues 4 per cent up at \$2.6bn.

The global corporate business achieved \$294m of net income in the quarter, against a \$10m loss a year ago. Revenues of \$1.4bn were 12 per cent improved yearon-year. The cross-border refinan-cing portfolio produced \$105m of net income, against \$3m a year

For the first six months of 1992

Citicorp's net income was \$354m (69 cents per share), against \$104m (5 cents per share) in the

North American commercial property loans during the second \$1.68bn a year ago, due to the absence of last year's heavy the benefit of corporate division loan write-offs of \$126m - less

Bad debt provisions were unchanged year-on-year at \$1bn while non-performing corporate side loans totalled \$8.1bn against \$7.9bn a year ago.

represented 24 per cent of the \$11.95bn loan book, but when foreclosed property is added this rises to \$6.3bn, or 52.6 per cent.

figures showed property-related bad debt provisions would remain high this year, but "it looks like the worst is past in terms of credit quality problems". He estimated Citicorp's operating earnings per share at 17 cents for the quarter, against a cent operating loss. On Wall Street, Citicorp's

# National Australia bids for NZ bank

By Terry Hall in Weilington

NATIONAL Australia Bank (NAB), a leading Australian trading bank, yesterday offered NZ\$0.80 a share for Bank of New Zealand (BNZ), New Zealand's largest commercial bank, valuing it at NZ\$1.48bn (US\$800m).

main shareholders: the New Zealand government with 57 per cent; and Fay, Richwhite, the New Zealand merchant bank, with 27 per cent.

The offer is conditional on a due diligence process, approval from regulatory bodies, and acceptance from 90 per cent of BNZ's ordinary shareholders and stakeholders in Fay, Richwhite. Individual shareholders own 15.7 per cent of BNZ.

BNZ, which had net profits of NZ\$171.1m for the year to March, has made progress in restructuring over the past two years. It had run into difficulties through bad lending policies between 1985 and 1988 leading the government to recapitalise it and set up Adbro, a separate company, to Ruth Richardson, New Zealand finance minister, welcomed the deal saying the government did not consider itself a long-term

shareholder in BNZ, The offer is NAB's second attempt to buy BNZ. In 1987 it was prepared to pay NZ\$200m more but was prevented by the then Labour government. The purchase of BNZ will give NAB total assets of A\$109.77bn

property loss tration for BA as it tried in vain to establish a bridgehead in North America. A tie-up with United Airlines of the US collapsed in 1989. Another with KLM, the Dutch flag carrier which has a stake in US carrier Northwest was abandoned and

first half of last year. Citicorp wrote off \$356m of quarter, against \$90m a year ago. Total second-quarter loan writeoffs were down to \$908m from cross-border loan write-offs and

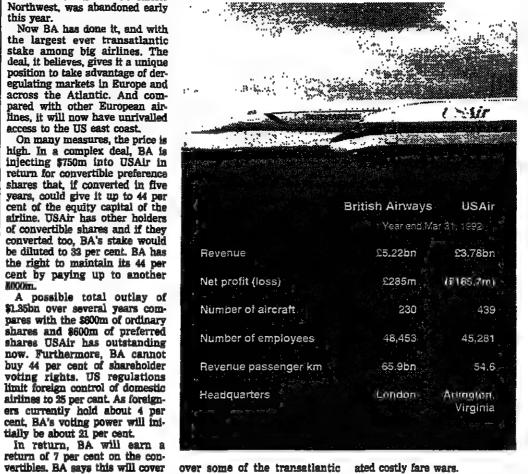
than one third last year's level.

Non-performing North American commercial property loans Mr Tom Hanley, an analyst at

First Boston, said the Citicorp

# Lord King's 11-year dream of creating the world's first global airline took a step closer to reality yeaterday dream ready of up to 44 per cent in the fifth biggest US carrier, USAir. The deal follows years of frusfor take-off

UK airline's stake in USAir will give it unrivalled access to the biggest air travel market, report Daniel Green and Nikki Tait



over some of the transatlantic routes of the now defunct Pan Am and TWA. The size, and the financial and marketing strength of United and American have given each 15 per cent of the north Atlantic market, a figure which is rising steadily.

The combined USAir and BA will carry more passengers than any other sirline, but it will still be smaller than American and United on the more usual measure or an passenger kilometres - which take into account the distance

travelled by each passenger. For USAir, the deal is even more important. The carrier has been suffering from severe problems integrating Pledmont Aviation which it bought for \$1.56bn in 1987. With domestic recession and then the Gulf war, USAir's problems escalated. Domestic traffic growth ground to a hait, and cash-strapped carriers initi-

ated costly fare wars. At the operating level, USAir made \$21.5m profit in 1989, but turned this into a \$501.1m loss in 1990, and a \$173.5m deficit in 1991. With the hefty interest charges added in, the net loss for the same three years was \$63.2m, \$454.4m, and \$305.3m respectively. Long-term debt remained in excess of \$2bn, and in late-1990, USAir suspended dividends

on its ordinary shares. money would initially go towards paying down bank debt, reducing its total debt to equity ratio, on a pro-forma basis, from around 58 per cent to 38 per cent. So why should BA be prepared

to pay \$750m for a 32 per cent stake in such a loss-maker? "We looked at the projected profitability and calculated a fair value," said Mr Derek Stevens, BA's chief financial officer. He

ting: the company has shed more than 7,000 jobs in the past two years, and cut salaries and services. "The opportunity is for traffic," said Lord King. "I don't tunity to reach out and take the airline global."

USAir ranks sixth among US carriers in terms of revenue passenger kilometres flown; it fer-ried more than 55m passengers last year and employs 45,281 people. It operates 439 jet aircraft, almost twice the size of BA's fleet. A large part of its route network is still to the heavily travelled East Coast. This was augmented last winter, when USAir agreed to operate the former Trump Shuttle which flies between Washington DC-New

York-Boston. So the airlines respective routes fit fairly neatly together. USAIr is largely a US domestic carrier while BA is strongest on international routes. Both have large Boeing fleets, so shared maintenance and purchasing should be easy to implement.

he immediate obstacles could come from the phalanx of regulatory and legal hurdles the deal must over-come before it is finalised. In the US, the airlines may have to convince the departments of Transportation and Justice, over antitrust rules. In Brussels, the European Commission will cast its eye over the proposed transaction.

On an operational level, the combined managements face the issue of New York. British Airways has invested heavily in its base at the city's biggest airport, JFK. USAir, however, is committed to the second airport at La Gitardia.

Sir Colin Marshall, BA's chief executive and in sole operational command of the airline since last week's annual meeting, would not forecast potential cost savings. But UBS Phillips & Drew, the company's broker, said the "combined annual cost savings and extra revenue of \$100m-\$200m a year is not an unreasonable target". Sir Colin conceded that gains were unlikely to outweigh the costs of reorganisation for two years. But then BA has a further three years before it is likely to have to convert its investment into ordinary shares and consolidate USAir's

By that time BA will hope the synergy benefits and a recovery in the world economy will have brought USAir back into healthy profit. If this comes true then BA's shareholders will have avoided diluting their earnings and Lord King will receive their thanks. If it does not, he will be safe from their wrath in the semiretirement of BA's honorary pres-

# Efim creditors meet to decide on recovery of debt

A GROUP of banks that are owed money by Efim, the Italian state holding company, met in London yesterday in the first sign of concerted action by banks around the world to recover \$2bn of foreien debts owed by the group. It also emerged that a group of Japanese banks, led by Sanwa and Mitsubishi, are among the largest creditors of the group which is to be wound up. About 15 international banks are owed more than \$30m each and there are more than 150 bank creditors

The announcement by the Italian government that it is to dis-mantle Efim has dismayed bankers, who were not warned of the about whether they will be repaid in full. Any failure would standing in international finan- of views is in everyone's intercial markets.

Yesterday morning a group of banks owed Ecu300m (\$408m) by the group met to decide what action they should take. The syndicate is led by Bankers Trust International and Mitsubishi According to one of those at

the meeting, the banks are trying to establish what is to happen to Rfim, and the terms they are likely to be offered. "We have some information. Efforts are going on to get more," he said. Until more information is forthcoming, the banks cannot decide At the same time, the lead

what to do next, he added. banks in a number of banking syndicates have already established informal contact in an attempt to co-ordinate their

ests," a bank leading one syndi-

cate said. Mitsubishi Bank, in charge of the Ecu300m syndicate and itself thought to be owed some \$53m, was named yesterday as a likely leader in any discussions with the Italian authorities. The bank said it would have to establish whether its exposure was greater than other banks before deciding

whether to take a lead. Other banks thought likely to play a leading role include Sanwa (thought to be owed \$8im), Bankers Trust (\$69m), Chemical Bank (\$49m) and UBS (\$47m).

The large number of Japanese banks among Esim's creditors makes it likely that a Japanese financial institution will play a leading role in discussions with the Italian authorities.

This announcement appears as a matter of record only

points to USAir's drastic cost cut-

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June 1992

# SmithKline Beecham profits up

By Paul Abrahams in London

BUOYANT pharmaceutical sales helped SmithKline Beecham, the Anglo-US drugs and consumer products group, report pre-tax profits up 10 per cent from £230m to £245m (\$468m) for the second ovarter.

Sales increased 9 per cent from £1.155bn to £1.261bn. However, both sales and profits were flattered by favourable exchange rates: at comparable rates, sales and profits would have been 4 per cent and 5 per cent higher.

Earnings per share and per equity unit, following a share split in the UK this month, were up 12 per cent to 6.2p and 11.7

Mr Robert Bauman, chief executive, said: "We are particularly pleased with the performance of pharmaceuticals. Our strong marketing capacity has allowed us to expand existing products and successfully launch new

He pointed to the success of Relaten, a new arthritis treat-ment which was launched in the US in February. The drug had worldwide sales of £40m for the first half of the year. Sales of Augmentin, an antibiotic, increased 24 per cent during the first quarter at constant

exchange rates. Tagamet, the anti-ulcer drug, fell 2 per cent. Mr Bauman said the group still lacked marketing depth in Japan. and would look to expand its

sales force and set up more comarketing agreements with Sales from pharmaceuticals increased 13 per cent from £607m

to £686m. The division's trading profits rose 7 per cent from £163m to £176m, while margins declined from 26.8 per cent to 25.6 per

Sales of consumer brands rose 7 per cent from £331m to £355m. Trading profits increased 14 per cent from £49m to £56m. Margins improved through better sales and sales of non-core operations. Operating profits at the animal health division fell 25 per cent from £14m to £10m on sales of

£76m (£77m). Clinical laboratories' trading profits increased 15 per cent from £19m to £21m on turnover of £144m (£140m).

The company proposed a sec-ond interim dividend of 2.075p (1.875p) per cent ordinary share and 5.279 cents (4.216 cents) per

# INTERNATIONAL COMPANIES AND FINANCE

# WestLB set to take stake in Rheinland-Pfalz bank

By Christopher Parkes

WESTLB, the acquisitive state bank of North Rhine Westphalia, seems set to take a substantial stake in Landesbank Rheinland-Pfalz, the state bank of its closest southern neigh-

Formal talks are about to begin following a decision yes-terday by the Rhineland Palatinate government to sell a 50 per cent holding in its state

Mr Rudolf Scharping, prime minister of the Rhineland Palatinate, said preliminary talks with Düsseldorf-based WestLB, and its collaborator, SüdwestLB from Baden-Wurttemberg, suggested "the goal

WestLB, meanwhile, is cooperating with NordLB from Hanover in negotiations for a stake in the Kiel-based state bank of Schleswig Holstein. If successful, the deals would mark substantial progress in also the most adventurous.



Friedel Neuber: fostering rationalisation of state sector

the long-awaited restructuring of Germany's regional banking

WestLB, led by Mr Friedel Neuber, is the biggest German state bank, with operating profits expected to reach DM1bn (\$675.6m) this year. It is

Overseas ventures include a link in 1989 with Standard Chartered of London designed to build up WestLB's merchant banking side and extend its foreign coverage. Most recently, WestLB took a share in Thomas Cook, the UK travel and travellers' cheques com-

LTU, Germany's biggest charter operator, in which WestLB has a 34 per cent stake, bought 90 per cent of the former Midland Bank subsidtary, while the bank took 10 per cent on its own account. Domestic expansion has been

less dramatic, however. Even though it has long been agreed that rationalisation of state banking is necessary to compete with the commercial sec-tor, few of the lander banks have been prepared to surren-

der their independence.

The traditional role of the banks is to finance state and local authorities and act as umbrella organisations for regional savings groups.

# PepsiCo makes strong advance

By Karen Zagor in New York

PEPSICO, the US soft drinks, snacks and fast-food restaurant group, yesterday unveiled a 20 per cent improvement in second-quarter net profits, with a strong gains in overseas mar-

Net income for the three months to June 13 totalled \$383m, or 48 cents a share. compared with \$318.3m, or 39 cents, in the same period last year. Sales advanced 11 per Mr Wayne Calloway, chief

executive, said earnings momentum had been based on "strong and balanced operating results, with all three lines of business achieving double-digit growth in both their US and nternational operations".

PepsiCo saw a 9 per cent increase in soft drink sales to \$3.42bn, with international sales for the division surging 18 per cent to \$926.9m. Operating profits for the division rose

PepsiCo's snack foods operations had operating profits of \$459.1m, up 20 per cent, on sales which rose 8 per cent to \$2.74bn. The improvement was driven by strong gains overseas, where operating profits soared 39 per cent to

For the first half, PepsiCo posted a 19 per cent gain in net income to \$824.5m, or 78 cents a share, on sales which rose 11 per cent to \$9.8bn.

Creditanstalt shows 13% decline

# withdraws offer to sell unit

By Andrew Baxter

ASEA BROWN Boveri, the Swiss-Swedish engineering group, is taking its UK-based global instrumentation business off the market after a four-month search for buyers failed to produce a deal.

ABB yesterday said that after having reviewed several offers it would keep the business, which has annual sales of nearly \$450m, employs 4,500 people and produces water meters, instruments and control valves.

The move is a temporary setback for ABB's strategy of concentrating on its core activities in electrical engineering. Zurich-based ABB had put the business up for sale in March, with Morgan Stanley International retained as financial adviser. ABB said then that a business that was more than 50 per cent related to water meters was not closely related to its core.

ABB yesterday put a brave face on the decision to keep the business. "It does not speed up our streamlining process, but it's not so very odd a business for ABB to keep, and it has no negative impact on ABB as a whole," said the company. It added that other ABB businesses might come up for sale instead.

The possible sale of the business produced several offers from a number of countries. However, in current market conditions it was not easy to sell businesses of such a size, ABB sald

It indicated that price was one reason why a deal could not be reached, but not the only reason. "The company has a good market potential, and a good standing in the water meter business, especially in the UK. It was not necessary to dump it, and we don't sell at the wrong price."

RWE, the diversified German energy group, has not yet made a final decision on a possible capital increase, Reuter reports. RWE, subject of intense rights issue speculation, said the final decision would be made in October.

# Asea Brown Reuters shares slip after forecast

SHARES in Reuters Holdings closed 25p lower at 1126p yesterday after the international financial information and news company was unable to forecast any improvement in its revenue growth rate.

The group reported a 10.2 per cent increase in pre-tax profits to £187.4m (\$356m) for the six months to June 30 on turnover of £748.4m, an increase of 6 per However, the profits figure

est received from £21.9m to £32.5m. Operating profit before interest rose by 4.5 per cent, to 8154.7m

was boosted by a jump in inter-

slowdown in revenue growth, as forecast, largely reflecting the lower level of orders taken for the group's financial information services last year. He added: "While there is a

modest improvement in the order level, this is being offset by measures we are taking to fortify our long-term market position. These include packag-ing of new facilities into existing services free of charge where previously we might have sold them for an extra

Phase two of Dealing 2000, the automated foreign exchange trading system, and Globex, the trading system for futures and options, were prov-Mr Peter Job, chief execu-tive, sald there had been a the extent and timing of their

contribution to revenue could not yet be gauged. Reuters also announced

plans to increase its role in television by establishing a joint venture with NBC of the US and taking full control of Visnews, the international television news agency.

The UK-based group already owns 51 per cent of Visnews and will acquire NBC's 37.5 per cent. Reuters has also agreed in principle to acquire the BBC's 11.25 per cent share of the agency, but declined to say how much it was paying for the minorities.

Mr Joh said: "We intend to invest in television and make Visnews a more powerful force by extending its operations into Reuters' network of 118 reporting bureaux worldwide." Mr Michael Green, chairman of Carlton Communications the television production and services group, is joining the board of Reuters as a non-exec-

utive director. Mr Green will replace Mr Andrew Knight, executive chairman of News International, the Murdoch newspaper group. Mr Knight is leaving the board after four years because of the pressure of

other commitments. Reuters' earnings per share increased by 11.4 per cent to 30.3p against 27.2p last time, and the interim dividend rose by 12.8 per cent to 5.3p, against

Lex, Page 12 Observer, Page 11

# Roche posts interim sales gain

By lan Rodger in Zurich

ROCHE, the Swiss pharmaceuticals group, has reported a 19 per cent increase in sales to SFr6.6bn (\$5.03bn) for the first half of 1992 and forecast "a profits for the full year. Extracting distortions from

currency conversion, the sales growth was 14 per cent. Roche said the acquisition of the Nicholas over-the-counter medicines business last year added about SFr140m to first-half sales, while last year's dis-

**Banque Worms** 

recapitalisation

UNION des Assurances de Paris (UAP), the French insur-

ance group, will recapitalise its Banque Worms subsidiary,

Reuter reports from Paris. The insurer also announced that

the bank's managing director, Mr Didier Renaudin, is to step

The insurance group said

that Worms would get an injec-

tion of between FFr500m

(\$100m) and FFr700m, but

declined to comment on the

Banque Worms posted a net loss of FFr179m in 1991, includ-

ing a FFr310m provision

against property risks. This

year property provisions are

expected to be smaller.

figures.

posals removed roughly 3From. The 23 per cent growth in sales by the pharmaceuticals division to SFr3.5bn was due to

strong gains of existing drugs - including Rodcephin, an antibiotic, Roaccutane, an acne drug, and Dormicum, a hyp-notic - and to acceptance of new products - such as Neu-pogen, a drug for reducing the side effects of chemotherapy, Aurorix, an anti-depressant, and Inhibace, which lowers

blood pressure.
Sales of non-prescription

IMPROVED performances from

Randfontein and Western

Areas belped the gold division

of Johannesburg Consolidated Investments (JCI) lift after-tax

profits by 19 per cent to R70.9m (\$25.9m) in the June quarter.

Profits at Randfontein rose

to R55.7m from R50.3m. At

Western Areas profits

increased steeply to R9.4m

Mr Bill Nairn, managing

director of the gold division,

said Randfontein's grade,

which improved to 3.67 grams

a tonne (from 3.6 grams), was

By Philip Gawith in Johannesburg

JCI gold division lifts

after-tax profit to R70.9m

medicines also increased, and the group predicted the new Roche Nicholas over-thecounter business would achieve sales of SFribn in the

full year.
Sales of vitamins and fine chemicals jumped 19 per cent to SFrl.6bn, and the US service icantly to the 17 per cent rise in the diagnostics division sules to SFreom.

vours were up 10 per cent to SFr723m, even though the fra-grances market was stagnant.

But a 5.8 per cent decline in

ore mined from underground

saw total production fall to 7,817kg from 8,014kg.
At the net level, the gold

division's results were boosted

by a R13m drop in the tax bill,

associated with an increase in

capital expenditure.

Western Areas had an excel-

lent quarter for production, lifting its grade by 15.4 per cent to 5.99 grams a tonne, thanks

to concentration on quality ore

and improved productivity. This helped convert a R5.4m

working loss on gold produc-

tion last quarter into a

R700,000 profit.

laboratories contributed signif-Sales of fragrances and fla-

# merger with Sifa approved

**Finmeccanica** 

THE merger of Finmeccanica, which controls the engineering and aerospace activities of Italy's state-owned IRI group, with Sifa, a stock market-listed holding company owned by IRI was approved yesterday. The merged group, to be called Finmeccalica, has combined assets of L3,128bn

(\$2.77hn). The enlarged group hopes to obtain a bourse listing in November this year. The aim is to achieve through a subsequent share issue a nominal capitalisation of L1,638bn, of which 47 per cent of ordinary shares and 71

per cent of saving shares will be in third-party hands. The move was set in train well before the government decided 10 days ago to convert IRI, along with three other state entities, into joint stock companies in order to accelerate the privatisation process.

The merger envisages a L511bn capital increase via the issue of 1,022bn shares on the basis of four ordinary Sifa shares for every nine Finmeccanica shares.

Finmeccanica has net liabilities of L4,862bn. Last year, the group made a L525bn loss, in part due to the repayment of L615bn to IRI which the European Commission declared was

30, 1991 to June 24, 1992.

with effect from September 30th 1992.i. Introduction of registered units.

JERSEY, Channel Islands

By Eric Frey in Vienna

CREDITANSTALT, the big Austrian bank, has announced a 13 per cent decline to Sch1.3bn (\$124.5m) in operating profit for the first half of 1992. Mr Guido Schmidt-Chiari, chairman, said the fall reflected the sharp rise in short-term interest rates and

the weakness of the Vienna

stock market. However, he predicted better results for the remainder of the year.

Partial operating earnings. which do not include profit from the bank's own-account trading, declined 9.5 per cent to Sch845m. However, several of Creditanstalt's regional banking subsidiaries managed

higher profits. Creditanstalt's performance

NOTICE

WOREDINVESTINGOMETEUNE

DECLARATION OF DIVIDEND No. 31

The Trustees of the WorldInvest Income Fund are pleased to

Shareholders in respect of the half-year period from December

Coupon Number 31, and any previously unpresented coupons,

PO Box 120, Union House, Union Street, St. Helier,

may be presented for payment on or after August 3, 1992 to:

BankAmerica Trust Company (Jersey) Limited,

Payments will be made subject to any applicable fiscal or other

SPECIAL NOTICE

Worldinvest Income Fund ("the Fund") The Manager of the above Fund, Worldinvest (Managers) Jersey Limited (The Manager) has decided to make certain changes in the way in which the Fund is administered and the Trustee, the Royal Bank of Scotland Trust Company (C.I.) Limited, has given its approval in principle to the changes. Subject to the necessary amendments being made to the constitutional documents of the Fund It is proposed that the following will be implemented

The Fund will case to issue bearer units and will issue only registered units.

The Manager recommends that Unitholders should take advantage of the opportunity to

exchange their present bearer units for registered units. Accordingly, Unitholders are recommended to surrender their existing certificates in favour of a contract note showing

their registered holding.

The bearer certificates should be sent, on or after September 30th, 1992, to the Manager at PO Box 120, Union House, Union Street, St. Helier, Jersey, Channel Islands Upon recept of

these document: the Manager will prepare and despatch contract Notes showing the registered holding together with dividend mandates.

It is to be stressed that such a change from bearer to registered status is not compulsory. The Manager will maintain both bearer and registered records of units in issue at least until such time as all bearer certificates have been voluntarily surrendered. There will not, however, be

The Fund will have the facility to issue fractions of units. This will mean that on an initial subscription into the Fund fractions of a unit may be issued as may they also on the

Manager 22 July 1992

an option for new applications to be processed on a bearer basis.

WorldInvest (Managers) Jersey Limited

regulations within fourteen days of such presentation.

announce an interim US\$6.50 per share distribution to

is understood to be better than that of its leading domestic rivals, however.

Bank Austria, the largest financial institution in the country, saw partial profit drop 15 per cent in the six months while GiroCredit has reportedly suffered an even steeper setback. Neither of the two banks have yet published

THE ESTABLISHMENT TRUST, SICAY 15. rus Gooths, R.C. Luxambourg

DIVIDEND NOTICE 16th July 1992 it was resolved to pay a dividend of US\$0.05 per skare to shareholders on record on 16th July 1992 and to holders of bearer shares upon presentation of coupon No. 7 payable on or after 23rd July 1992 with payable on or after 23rd July shares being quoted on-divid-17th July 1992. Paying Agent: Bank of Bermuda (Luxe

13, rue Goethe L-1637 Luzem

16th July 1992 Bank of Bermuda (Luxembourg) S.A.

Manufacturers Hanove Corporation U.S. \$100,000,000 Floating Rate Subordi Notes due 1997

n accordance with the provisions of he Notes, nonce is hereby given tha 500 per annum for the period 21st 119, 1992 to 21st October, 1992 and coupon amount of U.S. \$134.17 or the U.S. \$10,000 denomination and U.S. \$3,354.17 for the U.S. orrender of Cuspon No. 29.

**Toyota Motor Credit** Corporation FF 1,500,000,000 8%% Notes Due 1995 (the "Notes")

(the "Notes")

Reference is made to the Fiscal Agency Agreement (the "Agreement") dated April 9, 1992 pursuant to which the Notes were issued. Notice is hereby given that Section 4(b) of the Agreement has been amended to change the definition of the "Exchange Date" with respect to the issuance of further interchangeable/ assimilable notes.

6.100mm 11.77 11. 

WOOLWICH - Building Society -ECU 150,000,000 Floating rate notes

due 1996

Notice is hereby given that the notes will bear interest at 11.15% per annum from 22 July, 1992 to 22 October, 1992. Interest payable on 22 October, 1992 will amount to ECI/284.94 per ECU10,000 and ECU2,849.44 per ECU100,000 note.

Agent: Morgan Guaranty Trust Company JPMorgan

TSB Hill Samuel Bank Holding Company plc

US\$100,000,000 Class A Floating rate notes due In accordance with the provi-

sions of the notes, notice is hereby given that for the Interes period from 22 July, 1992 to 22 lanuary, 1993 the notes will carry u rate of interest of 3.9375% per annum and that the interest payable on the relevant paymen date, 22 January, 1993 will amount to US\$201.25 per US\$10,000 note and US\$5,031.23 Der US\$250,000 nate.

Agent: Morgan Guaranty

**JPMorgan** 

# BANK ON A BANK WITH FAR SIGHTEDNESS.

The world does not stop at the horizon. This basic principle has never had more truth than today. The world is getting smaller and markets grow together. Even so the overall picture must be kept in view whether it's with creative minds or with computers. Because the better our overall picture, the more promising the perspective. Bank on our far sightedness.



### **COMPANY NOTICES**

First Chicago Leasing FSC, Inc., U.S. Virgin Islands corporation, is available to arrange leases of U.S. manufactured property to be used predominantly outside the U.S. If interested, please contact

the company at: . First Chicago Leasing FSC, Inc. Citibank Building, Suite 208 St. Thomas, U.S.V.I: 00801

able to enter into leasing transactions, as lessor, with respect to U.S. manufactured property to be used outside the U.S. If interested please contact the company at: Luke FSC, Ltd. c/o CODAN Services, Ltd.

Luke FSC, Ltd.,

Bermuda corporation, is avail-

Clarendon House Church Street Hamilton, Bennuda

Oak Street FSC, Ltd., a Bennuda corporation, is available to enter into leasing transactions, as lessor, with respect to U.S. manufactured property to be used outside the U.S. by any affiliate of John Swire & Sons Limited. If interested, please contact the Oak Street FSC, Ltd.

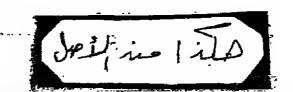
c/o CODAN Services, Ltd. Clarendon House Church Street llamihon, Bermuda

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### INTERNATIONAL COMPANIES AND FINANCE

SecPac

Bank of

America

By Alan Friedman

\$188.6bn of assets.

charges hit

BANK OF America has blamed

special charges related to its

recent takeover of Security

Pacific for an 11.8 per cent

Because of the charges,

Bank of America's net profit

in the quarter was \$240m,

compared with \$272m a year

ago. Earnings per share were 63 cents, against \$1.16. The bank said earnings per share would have been \$1.19 but for

the one-time charges, while its net income would have been

The bank stressed that the

results were not comparable

with results in the same

period of last year. However

Mr Richard Rosenberg, chair-

man, said he was pleased with

the progress in integrating

Bank of America and the for-

Bad debt provisions in the

second quarter amounted to

\$240m against \$175m a year ago. For the first six months of

1992, these provisions totalled

\$470m, compared with \$320m

Non-performing assets were

\$4.56bn at the end of last

month, reflecting the problems

among combined assets of

both banks; the same measure

for Bank of America alone was

Net loan losses amounted to

\$194m, up from \$169m a year ago. The second-quarter 1982

losses consisted of \$402m of

write-offs and \$208m of recov-

eries. The write-offs were

related mainly to credit card

and other consumer loans, and

the recoveries mainly to the

sale of sovereign debt and

recoveries on previous write-

Net income for the first six

months of 1992 was \$543m,

Net interest income after

bad debt provisions was

\$1.44bn, compared with \$916m a year ago for Bank of Amer-

Union Carbide

quarter net income, to \$73m.

The company was at pains,

however, to separate its \$37m

second-quarter net earnings

from continuing operations,

against \$18m a year ago. On June 30, Union Carbide

down from \$554m last year.

in the first half of 1991.

\$3.08bn a year ago.

mer Security Pacific.

# US regional banks extend recovery

in New York

THE RECOVERY in US bank earnings was further illustrated yesterday by strong performances from regional banks in the midwest, California and the middle Atlantic regions.

Banc One, the successful Ohio-based institution that has expanded rapidly through acquisitions, yesterday unveiled a 30 per cent increase in second-quarter net profits,

Earning per share were 24.3 per cent improved at 87 cents. Net earnings for the first six months of 1992 were \$360m, up by 33.9 per cent on last year's

first half. Banc One's annualised average 1.52 per cent return on assets remained at the highest level of US banks.

Mr John McCoy, chairman, said earnings were helped by a continued strong interest marcent in the second quarter, against 5.83 per cent.

Mr McCoy said asset quality had improved in recent months, with non-performing assets of \$621m, up on the level of \$514m in the same period last year, but down from the \$645m at the end of March

The bank noted the figures were not directly comparable because of the inclusion since last autumn of banks acquired

Bad debt provisions in the second quarter were \$107.5m, up from \$39.2m; but down from \$160.9 at the end of March 1992. Net loan losses were \$96m, up from \$66.2m a year ago and down from \$129.2m at the end of March 1992. Wall Street marked Banc One's share price % lower to \$48%.

Wells Fargo, the San Francisco-based bank that saw nearly all of its 1991 profits

gin, which averaged 6.53 per wiped out by bad debt provisions, continued the solid recovery it began in the opening months of 1992.

Net earnings of \$82m or \$1.33 per share were dramatically better than the \$14m net profit or 21 cents recorded in the second quarter of last year.
The bank said lower bad

debt provisions, higher interest income and growth in fee income contributed to the recovery. The bad debt provision was \$300m for the second quarter; down from \$350m a

year ago. Mr Carl Reichardt, chairman of Wells Fargo who came under regulatory pressure last December to make heavy provisions on property loans, noted that economic conditions remained "tenuous", particularly in California. He said loan demand was still weak and asset quality slow to recover. For the first six months, net profit was \$201m, against

Wells Fargo shares fell \$3% yesterday, to \$691/4.

Mellon Bank, based in the heart of the middle Atlantic regional economy, unveiled a 30 per cent increase in second quarter net profits, to \$90m. Net earnings per share were 18 per cent higher at \$1.41.

The bank's non-performing assets decreased by 5 per cent, to \$825m, while bad debt provisions were unchanged at \$50m and loan losses were \$10m nigher year-on-year at \$66m.

Mellon, which has \$30hn of assets, achieved its recovery on the back of 18 per cent higher net interest revenues of \$281m and service fee revenues that were 5 per cent better at Net profit for the first six

months of 1992 was \$176m, against \$138m last year. Mellon's share price yesterday stood at \$401/2, down by

# Insurance side spurs Sears, Roebuck

By Barbara Durr In Chicago

SEARS, Roebuck, the US retail and financial services group. increased second-quarter net income by 15.5 per cent to \$345.8m from \$299.4m a year

The company's insurance, brokerage and real estate divi-sions all gained solidly during the quarter, but its struggling merchandise group suffered a 50 per cent drop in income to \$78.5m from \$156.9m. Merchandise group revenues fell 1.1 per cent to \$7.57bn from \$7.65bn.

period ending June 30 were 90 cents, against 87 cents last year; reflecting the dilutive effect of a stock offering. Revenues rose 1.3 per cent to \$14.27bn from \$14.09bn.

Mr Edward Brennan, Sears chairman, said the slower pace of the US economic recovery and intense retail competition resulted in lower gross mar-

The merchandise group also lost revenues following a scandal involving its automotive repair shops and accusations of unneeded repairs. The matter

expend considerable funds on advertising to explain its side of the story, The merchandise group's

results were also affected by decreases in and changes to the company's catalogue business, including a \$20.2m pretax expenses to close catalogue pick-up counters in its stores, Second-quarter income at Alistate Insurance rose 68.3 per cent to \$235.3m from \$139.8 last year. Revenues were up 4.4 per cent to \$5.02bn from \$4.81bn. The Dean Witter Financial

states and Sears has had to income of \$97.9m, up 8.1 per cent from \$90.6m. Revenues were up 4.9 per cent to \$1.28bn from \$1.22bn. Coldwell Banker, which handles residential real estate, reported income of \$10.3m, turning round a yearago loss of \$3.1m. Revenues were up 4 per cent to \$455m

from \$437.7m. For the first six months, consolidated net income rose 34.4 per cent to \$667.6m from \$536.6m last year, partly reflecting the company's success in cost cutting. Earnings per share were \$1.79 against

# Capital Cities/ABC lifted by special item

By Alen Friedman

A ONE-TIME gain on the sale of its interests in a German television network helped lift second-quarter net earnings at Capital Cities/ABC, the US television and newspapers

company, which includes the ABC Television network, lifted net profits to \$147.4m, against \$127.8m in the second quarter of 1991. Earnings per share were \$8.84, or 16 per cent higher than \$7.60 a-

The net gain of \$24.9m was .. thanks to the absence of staff ..

Ore milled: tons (000)

Yield: grams per ton

Net profit after tax

Capital expenditure

Ore milled: tans (000)

Yield: grams per ton Working cost -- per ton

Capital expenditure

Net profit

GROUP GOLD MINING COMPANIES

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwetererand, Limited Republisher 01/00251/06

mary of reports: quarter ended 30 dame 1992

Quarter ended

Z 130

R94,15

R000

55 651

36 691

496 5,99

R000

9 360

Certain off-balance sheet leases which matured at the

end of the second quarter were re-negotiated for periods of 2 to 5 years. These liabilities have been treated as

capitalised financial leases in accordance with required accounting practices which call for these leases to be

incorporated in the balance sheet before June 1993.

Other capitalised off-balance sheet leases which

matured during the fourth quarter have been paid and

All figures are unaudited. Quarterly reports have been

Western Areas

Western Areas Gold Mining Company Limited Registration number 59/03209/06

3,67

30.06.92 31.03.92 30.06.92

2 **22**7

R93,31

50 293

Ouarter ended ended 30.06.92 31.03.92 30.06.92

R203,32 R182,24 R181,79

H000

1 854

20 678

242 6,45

R000

7 455

R178,70 R180,00

5 439 - 20 431

5.19

FI000

3,60

struck on the sale of interests in Tele-5 of Germany – after being partly offset by losses incurred in the disposal of New York property holdings and

Had the one-time net gain been excluded Capital Cities/ ABC would have achieved 7 per cent higher earnings per share of \$8.16.

ing income was 8 per cent

Net revenues were 2 per cent ahead at \$1.39bn, while operat-

higher at \$288.7m. - Barnings- from -ABC - Television increased modestly,

ended

B 736

R83,62

197 764

115 819

51 965

2 170

R000

Year

1 001

5,90

R000

14 416

22 035

5.29

F1000

3,59

reduction provisions recorded a year ago.

The network's revenues were slightly better, primarily because of the broadcast of the Academy Awards ceremony. Capital Cities said its broad-

casting operations were still being affected by the recessionary environment, while operating income from broadcasting was 3 per cent ahead at

Video operations saw a significant rise in revenues. This was primarily attributed to the ESPN sports cable network. However, radio revenues brading

were down moderately because of weak demand for radio advertising.

Publishing revenues increased by 5.7 per cent to \$273.5m, while operating income from this division, which includes the Fairchild fashion group, was \$40.1m, up sharply from \$28.1m. For the first six months of

1992 net profits were \$189.8m, 2 per cent higher on the first half of 1991. On Wall Street, the Capital -Cities/ABC - share - price - was

\$1% lower at \$444% in early

### GTE registers 13% gain Spin-off boosts after Contel takeover net income at

By Martin Dickson

GTE, the largest local telephone company in the US, yesterday reported a 13 per cent increase in second-quarter earnings, helped by volume growth in its telephone business and efficiency gains from last year's \$6bn takeover of telecommunications group

Contel. The company reported earnings of \$446m, or 49 cents a share, from continuing businesses, compared with \$394m, or 44 cents, last year. Revenues and sales rose from \$4.85bn to 35.06bm.

The figures, in line with marset expectations, do not include the group's electrical products business, which it has put up for sale.

The company's local telephone operations reported operating income 9 per cent higher at \$1.02bn, although the increase totalled 5 per cent when a \$30m 1991 provision was stripped out. Revenues totalled \$3.98bn, up from \$3.85bn, thanks to a 7 per

cent increase in usage of the company's local network for long distance calling and a 3.7 per cent annual increase in access lines. These increases were partly offset by lower tariffs charged by long-distance carriers for access to its local

Its telecommunications services and products business produced operating income of \$55m, up from \$42m, on revenues 8 per cent higher at \$1.09bn.

Its cellular telephone business produced revenues of \$252m, up 30 per cent. Some 56,000 cellular customers were added during the period, bringing the total to 920,000, up from 682,000 a year ago. Average revenues per subscriber rose slightly from the previous quarter to \$78 a month.

For the six months income from continuing operations were \$873m, or 96 cents, against \$591m, or 65 cents, a year ago, when it took a 23 cents a share charge against earnings. Revenues totalled \$9.89bn, up from \$9.54bn.

# Japanese rail flotation comes under pressure

By Emiko Terazono in Tokyo

PLANS to float East Japan Railway (JR East), part of the former state-run Japan National Railways (JNR), have triggered concern in the Tokyo

The Japanese transport ministry and JNR Settlement Corporation, which took over the debts of JNR, plan to offer a tranche of the 400m government-held shares during the year to March 1993. However, the decision comes as steep falls in Japanese stock prices have dented investor confi-

Mr Minoru Nagaoka, Tokyo stock exchange chairman, expressed his worries yesterday, following an announcement by an advisory commit-tee to JNR Settlement, recommending at least one of its six railway companies be

listed this year. "Japan's stock market sentiment is not sufficient enough to absorb the heavyweight apan railway stocks," he said. Adverse market conditions have held up the flotation

last fiscal year. In 1987, the railway operations of JNR were split into six regional passenger railway companies, while most of the assets and debts were passed on to JNR Settlements. Investor confidence has been

hit by the sharp declines in the shares of Nippon Telegraph and Telephone (NIT), the for-mer government-owned telecommunications company, listed in 1986. The number of shares and

offer price are yet to be decided. The advisory council proposed the proportion of JNR shares auctioned in order to fix the public sale price should be higher than that of the first public sale of NTT shares. Japanese brokers believe JR

East's shares, with a face value of Y50,000 (\$207) are worth about Y200,000.

However, Mr Keiwa Okuda. transport minister, expressed dissatisfaction of such estimates, and added the shares should be sold for the highest price possible. The advisory council has recommended that the shares be made available to plans, originally slated for the foreign investors.

pany, and Otis, the elevator spare parts for commercial group; flight systems, which includes Sikorsky, the helicop-

ter manufacturer; and automotive components. It was also encouraged by the early results from its restructuring programme, announced last January. So far it has cut the workforce by 4,650 jobs, or 65 per cent of the 1992 goal.

"We are meeting our schedule for restructuring and increased earnings," Mr Daniell sald. "We expect additional modest benefits from a slowly improving economy and con-tinuing gains from the restructuring programme."

The company's power seg-ment, the Pratt & Whitney aero-engine manufacturer, reported an operating profit of \$116m, down from \$123m a year ago. Revenues were unchanged at \$1.8bn.

The company said there was rier, the air conditioning com- a higher contribution from

engines, and pointed out that the 1991 figure was boosted by some \$100m in participation fees for the PW4000

However, Mr Daniell described the overall condition of the commercial airline industry as "troubling and indicative of continuing financial pressures on the major air-

The flight systems business made \$65m on sales of \$968m, compared with a loss of \$72m on sales of \$986m; building systems made \$164m on revenues of \$2.4bn, up from \$124m on sales of \$2.1bn, and automotive made \$38m on revenues of \$633m, compared with \$28m on sales of \$541m.

For the six months United Technologies made \$275m, or \$1.95 a share, against \$84m. or 53 cents, last year while revenues rose to \$10.9bn from

# Nortel suffers reverse for first time in three years

By Bernard Simon in Toronto

NORTHERN Telecom suffered a one-third drop in secondquarter earnings, the first profit setback for the fast-growing Canadian telecommunications equipment maker in almost three years. Although a decline in earn-

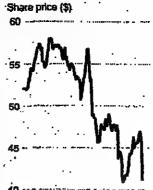
decline in second-quarter net earnings. The bank is now the ings was expected, the size of the drop took investors by sursecond largest in the US, with prise. Nortel's share price The results - the first since plunged by C\$5.38 to C\$40 in the merger was completed on early trading on the Toronto Stock Exchange yesterday, but April 22 - were hit by a net \$181m of non-recurring items, recovered part of the loss later. including \$395m of merger-re-Second-quarter earnings lated restructuring write-offs were US\$72.3m, or 28 cents a and a \$157m gain on an asset share, down from US\$106.5m,

> \$2.1bn. The company ascribed the setback to the disposal of several businesses which it bought as part of the acquisition of Britain's STC in early

or 42 cents, a year earlier. Rev-

enues dipped to \$1,95bn from

This was as well as deferred orders for central office switches by US regional telephone companies, which are Northern Telecom



among its biggest customers. The drop in revenues was also due to the accounting treatment of sales by Motorola-Nortel, a joint cellular phone venture which started operations in the US earlier

1992

Jan

Dr Paul Stern, chairman.

the results, but noted that orders climbed by 6 per cent in the latest quarter, reaching a record backlog of over \$3bn on

June 30. He said the company had recently won substantial contracts in the US, Canada, Aus-

tralia, Korea and Spain. One Toronto analyst said investors were especially ration" in gross margins from almost 41 per cent to 39 per cent, and an increase in research and development spending from 12.2 per cent of revenues to 13 per cent.

However, he added that Normarket share and remained "an extremely strong competi-

it had focused for the past two years on reducing its dependence on North America through expansion overseas. unveiled an alliance last month with Matra, the French telecommunications and elec-

# Smith Corona to close its last US typewriter manufacturing plant

By Martin Dickson

SMITH Corona, manufacturer of portable typewriters which has spent years fighting alleged Japanese cut-price "dumping" of products in the US, announced yesterday it was closing its last US manufacturing plant and relocating production to Mexico to save

The news came as Smith Corona, 48 per cent owned by Britain's Hanson, announced a rise in fourth-quarter net income from \$2.3m, or 8 cents a share, to \$6m, or 20 cents a share. Net sales were up from \$77.2m to \$86.2m.

Smith Corona said it would phase out manufacturing operations at Cortland, in New York state, over 12 months, with a loss of 775 full-time and 100 part-time jobs. Some 370 engineering, design and adminstrative workers will remain in Cortland.

The move will cost \$15m pre-tax, of which \$9m will be

the first quarter. However, the company expects to save \$15m on an annual basis in manufacturing costs.

Smith Corona's battle against alleged dumping has brought the company several legal victories, but little practical benefit in the market place. However, the struggle may have encouraged Japanese typewriter and word processor companies to establish assembly operations in the US.

Brother Industries, the main target for Smith Corona's action, has even accused the US company of dumping itself, since Smith Corona now has a large manufacturing operation in Singapore. Brother is likely to redouble these accusations

over the Mexican move. Mr Lee Thompson, Smith Corona's chairman, said the move was being made very reluctantly but was "absolutely necessary in view of the predatory pricing by foreign competition in our industry."
"The last US factory of the

writer company is closing, forced to move as a direct result of these competitors openly thumbing their noses at

Criticising the US Government's "unwillingness" to enforce the trade laws, he said the company would continue to use its US suppliers, so the US content of its machines would continue to be higher than those of its competitors.

Mr Thompson said that in the fourth quarter the company increased unit sales and revenues of both typewriters and personal word processors. International sales benefited from sizeable shipments to a large European distributor. However, there were signs of recovery in the domestic mar-

For the full year, the company reported net income was \$22.1m, or 73 cents a share, on sales of \$371.7m, against \$19.6m, or 65 cents, on sales of

# Pharmaceuticals groups put up strong profits show

PFIZER, one of the biggest US drugs companies, yesterday UNION CARBIDE, the US chemicals company, recorded a 46 per cent rise in second-

only 4 per cent. Net income for the quarter

completed the spin-off of Praxfrom on-going operations rose 13 per cent in the latest quarair. Its former industrial gases subsidiary. This business produced \$34m of net income in ter while net income from the second quarter, compared those operations increased 10 with \$28m a year ago. per cent. Overall earnings per share in the second quarter were 51 cents, up from 35 cents a year

ago. Earnings from continuing operations were 28 cents, against 18 cents. operating income. Sales of new pharmaceutical Total net sales for the Connecticut-based chemicals company were little changed at

\$1.26bn, against \$1.21bn. Mr Robert Kennedy, chairman, said the results reflected continuing efforts to drive down fixed costs. He said poly-ethylene and ethylene glycol volumes were better than last year, but added that margins continued to be tight in these US healthcare products and

By Martin Dickson

UNITED Technologies, the US

technology group which is being restructured, reported

second-quarter net income

nearly quadrupled from an

The company announced net

income of \$166m, or \$1.18 a

share, compared with \$44m, or

25 cents, in the same period of

last year. Revenues rose to

\$5.7bn from \$5.4bn. The figures

were broadly in line with mar-

In last year's second quarter.

earnings were abnormally

depressed by a \$148m pre-tax

charge to restructure a con-

tract at Norden, the group's

Mr Robert Daniell, chairman,

said the company was seeing

strength in three of its busi-

ness segments - building

systems, which includes Car-

radar system manufacturer.

ket expectations.

unusually depressed 1991.

in New York

# per cent to \$464m, or 70 cents a share from \$406m, or 61 cents a

posted a 14 per cent improvement in second-quarter net earnings on sales which rose

was \$203.8m, or 61 cents on sales of \$1.69bn, against earnings of \$179.1m, or 53 cents, on sales of \$1.63bn a year earlier. Pfizer, which has divested or closed several businesses in the past two years, said sales

The sale of Pfizer's Coty fragrance and cosmetics business contributed a \$3m after-tax gain in net income and \$56.5m in restructuring credits to

products contributed to a 17 per cent improvement in pharmaceutical sales growth in the

quarter. The company said the improvement was almost entirely due to higher volume, since no pharmaceutical prices were increased in the quarter. Second-quarter earnings from Johnson & Johnson, the

pharmaceuticals group, were

Earnings surge at United Tech

year ago. Sales increased about 13 per cent to \$3.41bn from For the first six months, net

income rose about 13 per cent

to \$928m, or \$1.40, from \$824m, or \$1.24 last year. Sales were 10 per cent higher at \$3.84bn from Johnson & Johnson's profession segment, which includes products used in less invasive

surgery, where domestic sales rose 17 per cent and overseas sales advanced 15 per cent. Warner Lambert, another large US pharmaceuticals company, posted net earnings of \$178m, or \$1.32 a share, up 15 per cent, on the back of an 11 per cent improvement in sales to \$1.37bn. A year earlier, the

company had net income of

\$155m, or \$1.15, on sales of \$1.24bn. For the first half of 1992, net income was \$341.5m, or \$2.54, compared with \$188.1m, or \$1.40, a year earlier. The previous year's results were distorted by an after-tax charge of \$106m. or 79 cents a share. related to an accounting change. Sales in the six months were \$2.68bn against

### Weverhaeuser earnings soar by 44%

By Martin Dickson

WEYERHAEUSER, the US forest products group, yester-day reported a 44 per cent increase in second-quarter earnings, helped by high timber prices and improved productivity.

The company reported net earnings of \$93.9m, or 45 cents a share, up from \$64.5m, or 32 cents, in the same period of last year. Sales were up 2 per cent at \$2.3bn.

Mr John Creighton, president, said the figures reflected "a slowly improving economy and solid accomplishments within our business improvement plans".

The company's forest prod-ucts division was helped by the controversy over saving the Northern Spotted Owl, which has curtailed the supply of timber from public lands in the western US and sent the price of supplies rocketing. Operating cornings here were up 13

per cent at \$126.5m.
The company's pulp and paper business saw profits risc 84 per cent to \$68.3m, helped by better pricing of some prod-ucts, reduced maintenance spending as well as improved productivity in pulp and corru-

gated box manufacturing. In the first half the company made \$179.5m, or \$8 cents a share, compared with \$51.4m. or 26 cents, a share after a 1991 accounting change which cut Sales were up 4 per cent at

\$4.5bn. For the second half. Mr Creighton said lower long-term interest rates should produce some improvement in single family home construction. while no resolution of Northwestern timber shortages should also help keep wood product values strong

Weyerhaeuser, the largest exporter of US forest products. would also benefit from the weak dollar.

### Fruit of the Loom marches ahead

FRUIT of the Loom, a leading US underwear maker, lifted second-quarter net earnings 57.5 per cent to \$57m or 75 cents a share from \$36.2m or 52 cents a year earlier, writes Barbara Durt. Sales were \$534m, up 14.1 per

cent from \$468m.

# mailed to the shareholders of each company. Copies of the reports may be obtained from Barnato Brothers Limited, 99 Bishopsgate, London, EC2M 3XE. ; \_-; 22 July 1992

### H. J. Joel H. J. Joet Gold Mining Company Limited Registration number 85/01995/06 30.06.92 31.03.92 30.06.92 Ore milled: tons (000) 5,98 Yield: grams per ton Working cost - per ton J7173,95 ROCC 5 870 Net profit Capital expenditure

By Richard Waters in London and Patrick Harverson in New York

EUROPEAN government bond markets recovered yesterday from the panic that shook them at the start of the week. However, volatility persisted in some quarters. Longer-dated UK gilts

### GOVERNMENT **SONDS**

bounced back by a quarter of a point as sterling stabilised on the foreign exchange markets. Although the currency remains firmly at the bottom of the Exchange Rate Mechanism, some observers were already predicting with relief

the end of devaluation fears. The long gilt future on Liffe edged up from 98.15 to close at around 98.22, near its high of the day. Gains among shorterdated gilts were meagre, reflecting continued pressure in the money markets pending the latest money supply data from Germany.

THE Italian government bond market experienced another highly volatile day. although bond prices managed to end the day firmer. The mar-

the trend from Monday after- week, are also expected to noon, as traders continued to show some improvement buy to cover short positions taken on the market. But prices soon slipped.

"Once the shorts had been covered, there was really nothing to support the market," one trader said. The BTP futures contract on Liffe, which had opened at 93.00, fell sharply to 92.15.

Later in the day though, a stronger lira helped the market recover its equanimity, pushing the futures contract back up by almost a full point, to 93.06, by the close.

With the sell-off by foreign investors since the Danish rejection of Maastricht now largely thought to be over, traders expect considerable wariness before international investors return to the Italian

■ GERMAN bond prices settled into a tight trading range as the market looked forward to a batch of economic data for a clue as to the Bundesbank's next move on interest rates. Most expect M3 growth for June, due this week, to come in at about 3 percentage points above the celling on the Bundesbank's target range, set at 5.5

per cent. The latest consumer

prices figures, the first of

though, again, they will remain outside the Bundesbank's target. After a June rise of 4.3 per cent, consumer prices are expected to show a rise of

between 3.4 and 3.7 per cent. Ahead of these numbers, the market remained quiet, with the bund futures contract edging up from 87.13 to 87.17.

In late trading, the benchmark 30-year government bond was up 1 at 1032, yielding 7.652 per cent, and the two-year note was down 🛦 at 101%, yielding

chairman, Mr Alan Greenspan

mony to Congress

gave little away in his testi-

4.269 per cent. The short end eased slightly because some investors thought Mr Greenspan's comments in his Humphrey-Hawkins report indicated that the Fed would not ease mone-■ US Treasury prices were lit-tle changed at the long end and slightly easter at the short end tary policy again in the current after the Federal Reserve business cycle.

BENCHMARK GOVERNMENT BONDS												
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CANADA '	8.500	04/02	105 1300	+0.350	7 74	7.92	6 10					
DENMARK	9.000	11/00	98.4500	+0.400	9.26	9.09	9,1					
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ECU (French Gavt)	8,500	03/02	94,5700	+ 0.020	9 37	9.01	8.9					

# Japanese yields tumble as rates ease

By Emiko Terazono in Tokyo and Richard Waters In London

JAPANESE government bonds yesterday reached levels not seen for nearly three years as the Bank of Japan allowed money market interest rates to drift lower.

The tumbling bond yields are the latest sign that investors expect the authorities to react soon to the steady weakening of the Japanese economy by relaxing their monetary stance

Yesterday, the yield on the benchmark bond No.129 dropped to 5.11 per cent from 5.17 per cent on Monday. At the same time, the futures contract rose tentatively above the psychologically-important 104.00 level, before slipping

Further evidence of underlying economic weakness from turned net buyers of Y2,118bn

depressed industrial production, consumer demand, and sluggish monetary growth, is behind the long rally in the government bond market. Yields on the No.129 have fallen over 80 basis points since quarterly GNP figures were announced in mid-June.

The plunge in the stock market, with the Nikkel stock average falling below 16,000 in late-June, also encouraged market participants. Three months ago, as the Nikkei first dived, the bond markets took fright at the state of the Japanese financial system. Since then, bond investors have recovered their equanimity. The slump in stocks has forced life assurers and investment trusts to increase investments in the bond market. Life and non-life insurers, net sellers during the first half of 1991,

in public and private bonds. Investment trusts bought a net Y1,909bn, as a bulk of new funds were bond funds, reflecting the decline in investor confidence among individuals. Foreign investors purchased a net Y4,983bn, mostly in Treasury bills.

Bond market participants have also been focusing on the yield gap to have emerged among bank debentures, issued by the three long-term credit banks - Industrial Bank of Japan, Long Term Credit Bank and Nippon Credit Bank.

Yields on the debentures have traditionally been the same, and were considered by institutional investors as interchangeable. However concerns over the deteriorating loan portfolio at NCB, the smallest of the three banks, have lifted NCB's five-year debenture yield to around 5.3 per cent, 20

basis points higher than IBJ's. The three long-term credit banks have been responsible for most of the long-term industrial financing since 1945, and have been allowed to issue debentures to procure

long-term funds.

The yield differentials point to the growing maturity of the bank debenture market, as investors become more aware of credit risk, said Mr Marshall Gittler, fixed income analyst at Merill Lynch in Tokyo.

While investors are looking for the Japanese discount rate to fall further, last week's rise in the German discount rate has raised uncertainty over the timing of monetary easing due to the effects on currency movements. Economists believe the Bank of Japan will be reluctant to move until the government decides on its fiscal stimulus package.

# auction shows Ecu weakness

By Simon London

THE BANK of England yesterday completed an auction of Ecu500m three-year Treasury notes, although at far higher interest rates than the last auction in April.

Around 80 per cent of the notes on offer yesterday were sold at a yield of 10.04 per cent. The highest yield accepted at the first auction of Eculbn notes in January was 8.6 per cent, rising to 8.87 per cent in April.

The results underlined the dramatic reversal in the Ecu bond market since its peak at the end of last year. Ecu bonds have under-performed the gov-ernment bond markets of the countries which make up the Ecu currency basket.

In December, three-year Ecu bonds were yielding 85 basis points less than the "theoreti-cal" basket of underlying government bonds suggested they should, reflecting the strength of demand for Ecu-denominated securities

Yesterday, this differential had narrowed to 30 basis points. At the longer 10-year maturity, Ecn bonds new yield more than the theoretical level for the first time since Janu-

However, although yields have risen in line with the secondary market, demand for short-dated Ecu bonds remains buoyant. The Bank of England yesterday received bids for Ecul.26bn notes, covering the

paper on offer by 2.5 times. Funds raised from the auc-tion will bolster the government's foreign exchange reserves, rather than funding the public sector borrowing

requirement. According to the prospectus issued late last year, the next anction is due October 20. The Bank of England is unlikely to cancel an auction, but it can reject all the auction bids if it believes the prices offered by investors are too low.

The Bank balleves that issuing Ecu notes still makes sense, and that the three-year note programme improves the liquidity of the Ecu bond mar-ket in London.

# Bank's note | American Express poised for \$1bn asset-backed deal

By Simon London

AMERICAN Express is next week expected to launch a \$1bn global asset-backed bond issue, its first bond offering backed by charge card debt.

The deal will be leadmanaged by Lehman Brothers, a subsidiary of the credit card group. Bankers were yesterday anticipating a deal comprising two \$500m tranches of five-year and seven-year paper.

The deal is likely to be struc-tured as a global bond issue, with registered bonds traded simultaneously in the US, Eurobond and east Asian <u>financial markets.</u>

Citicorp has already used global asset-backed bonds to securitise credit card debt. However, the assets backing the American Express deal will have slightly different characteristics. Charge card holders are not allowed to maintain unpaid balances, American claims a lower default rate than on credit cards.

Elsewhere, Nationwide Building Society yesterday raised £100m capital from an trades at a yield spread 150

INTERNATIONAL BONDS

issue of 15-year subordinated bonds, callable after 10-years. Nationwide will pay a punitive rate of interest if the call option is not exercised, so the the deal was viewed as a 10year issue, yielding 135 basis points more than gilts of the same maturity. If the bonds are not called, the coupon will be raised to a level where the

yield is 250 basis points over The structure is designed to ensure that Nationwide can count the full £100m as capital for 10 years. The Building Societies Commission, the industry regulator, demands that subordinated bonds gradually cease to count as capital in the five

years prior to maturity.

The deal, lead-managed by Credit Suisse First Boston, was seen as aggressively-priced by some sterling bond underwrit

**NEW INTERNATIONAL BOND ISSUES** 

basis points over gilts. Subordinated debt issued by building societies of similar credit quality trades at a lower yield

spread than yesterday's issue. Two Japanese companies launched equity warrant bond issues, in a rare flurry of activity in the sector. Penta-Ocean Construction launched a \$200m issue lead-managed by Yamaichi International, while Kuraray raised \$150m and SFr100m via Daiwa Europe and

Crédit Suisse. The two Eurodollar issues saw strong demand trading up to 103% bid and 102% bid respectively, both from an issue price of par. The deals benefited from the paucity of

new issues this year.

The bonds carry a coupon of only 2.25 per cent, but in most cases the warrants to buy shares are stripped from the bonds and sold separately. Once stripped, the bonds trade at around 86 per cent of face value, for a yield of around 6.25

Although yesterday's performed well, bankers do not expect a flood of new deals.

2.25/1.5 Yamalchi Ind (Eur.) 2.25/1.5 Daiwa Europe 1/0.676 IBJ Intl. 1/0.875 IBJ Intl.

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Ì	D-MARKS N.E.Finance of Japan(a)†	200	8.4	102.40	1999	2.25/1.376	Deutsche Bk.	
١	SWISS FRANCS Kurarsy Co.(d)***	100	3.75 ·	100	1996		Credit Suisse	
	#APrivate placement, \$Convertitiesue. Callable on 30.7,2002 at ; option on 13.11.95 at par. d) Call	ser. If call is not a lable on 5.5.94 at i	exercise ber and	on 6.8.95 at	i be re-se 100.50pc. (	to yield 2 ) Tranche	50bp over 9% 26 A of \$100m deal	008 gill c) Put I. Coupan pays

# Deutsche Bank to merge businesses

By Richard Waters

US DOLLARS

DEUTSCHE Bank is toamalgamate its futures and options broking businesses in London as part of a move to build its small market chare of derivatives trading.

The bank said yesterday it was merging activities under-taken in Deutsche Bank's

Morgan Grenfell, its merchant banking subsidiary. The merger affects only exchangetraded instruments, not overthe-counter ones

Each part of the group currently maintains around 12 people on the floor of the London International Financial Futures and Options

name in London with those of Exchange. Deutsche Bank has specialised in D-Mark products and Morgan Grenfell in sterling, though moves into other currencies have created overlaps between the two sides.

orth

Fr No

The merger was intended to improve economies of scale. said Mr John Lake, a manag ing director of Deutsche Bank

### MARKET STATISTICS

RISES AND FALLS YESTERDAY

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INCL. EUROPE 4 3/4 98 5 1/2 08 6 1/2 98 E OF FRUNCE 7 1/4 04 LAND 5 3/8 95 EERAL BOTORS 7 1/2 95 BE 6 3/8 01 9 7 7 8 1/2 94 BE 6 3/8 01 9 7 8 1/4 99 BE C HYDRO 5 08 BLD BARK 5 07	250 100 900 100 150 100 240 240 200 150 600	90 97 100 97 100 97 97 97 97 97 97 97 97 97 97 97 97 97	87 % 90 98 97 % 101 % 94 % 100 w 96 % 95 % 74 87 % 100 %	***************************************	8.03 7.25 7.14 7.21 7.12 7.05 7.18	MITSUI FIN ASIA 1/8 %  MAT WEST THE MICOS  NEW ZELAND 1/8 %  EENE 98  SOCIETÉ GÉNERALE 96  SOTATE BY WICTORIA D 05 99  UNITED KINGDOM -1/8 96.	200 600 100 400 250 500 125 4000 185	77.33 100 10 92.55 100 22 99.95 99.95 99.95 99.75	79.2 7 93.5 2 100.3 5 200.0 99.7 99.2 100.0 99.3	70 10.123 4 533 50 5.256 17 4.371 13 4.182 15 3.877 14 4.564 10 191 14 10 191
INCL. EUROPE 4 3/4 98 5 1/2 08 6 1/2 98 E OF FRUNCE 7 1/4 04 LAND 5 3/8 95 EERAL BOTORS 7 1/2 95 BE 6 3/8 01 9 7 7 8 1/2 94 BE 6 3/8 01 9 7 8 1/4 99 BE C HYDRO 5 08 BLD BARK 5 07	250 100 900 100 150 100 240 240 200 150 600	90 97 100 97 100 97 97 97 97 97 97 97 97 97 97 97 97 97	87 % 90 98 97 % 101 % 94 % 100 w 96 % 95 % 74 87 % 100 %	***************************************	8.03 7.25 7.14 7.21 7.12 7.05 7.18	MITSUI FIN ASIA 1/8 %  MAT WEST THE MICOS  NEW ZELAND 1/8 %  EENE 98  SOCIETÉ GÉNERALE 96  SOCIETÉ GÉNERALE 96  UNITED KINGDOM -1/8 96.	200 600 100 400 250 500 125 4000 185	77.33 100 10 92.55 100 22 99.95 99.95 99.95 99.75	79.2 7 93.5 2 100.3 5 200.0 99.7 99.2 100.0 99.3	70 10.123 4 533 50 5.256 17 4.371 13 4.182 15 3.877 14 4.564 10 191 14 10 191
INCL. EUROPE 4 3/4 98 5 1/2 08 6 1/2 98 E OF FRUNCE 7 1/4 04 LAND 5 3/8 95 EERAL BOTORS 7 1/2 95 BE 6 3/8 01 9 7 7 8 1/2 94 BE 6 3/8 01 9 7 8 1/4 99 BE C HYDRO 5 08 BLD BARK 5 07	250 100 900 100 150 100 240 240 200 150 600	90 97 100 97 100 97 97 97 97 97 97 97 97 97 97 97 97 97	87 % 90 98 97 % 101 % 94 % 100 w 96 % 95 % 74 87 % 100 %	***************************************	8.03 7.25 7.14 7.21 7.12 7.05 7.18	MITSUI FIN ASIA 1/8 %  MAT WEST THE MICOS  NEW ZELAND 1/8 %  EENE 98  SOCIETÉ GÉNERALE 96  SOCIETÉ GÉNERALE 96  UNITED KINGDOM -1/8 96.	200 600 100 400 250 500 125 4000 185	77.33 100 10 92.55 100 22 99.95 99.95 99.95 99.75	79.2 7 93.5 2 100.3 5 200.0 99.7 99.2 100.0 99.3	70 10.123 4 533 50 5.256 17 4.371 13 4.182 15 3.877 14 4.564 10 191 14 10 191
INCLE CUROPE 4 3/4 98 5 1/2 98 6 1/2 98 6 1/2 98 6 1/2 98 6 1/2 98 6 1/4 95 6 1/4 95 6 1/4 95 6 1/4 96	250 100 900 100 150 100 240 240 200 150 600	90 97 100 97 100 97 97 97 97 97 97 97 97 97 97 97 97 97	87 % 90 98 97 % 101 % 94 % 100 w 96 % 95 % 74 87 % 100 %	***************************************	8.03 7.25 7.14 7.21 7.12 7.05 7.18	MITSUI FIN ASIA 1/8 %  MAT WEST THE MICOS  NEW ZELAND 1/8 %  EENE 98  SOCIETÉ GÉNERALE 96  SOCIETÉ GÉNERALE 96  UNITED KINGDOM -1/8 96.	200 600 100 400 250 500 125 4000 185	77.33 100 10 92.55 100 22 99.95 99.95 99.95 99.75	79.2 7 93.5 2 100.3 5 100.0 99.7 99.2 100.0 99.3	70 10.123 4 533 50 5.256 17 4.371 13 4.182 15 3.877 14 4.564 10 191 14 10 191
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P B 14 01  WISCHE FRAAME 7 1/2 95  15 3/4 95  15 3/4 95  16 1/4 99  80 FIRMA B 3 3 96  80 FIRMA B 3 3 96  BK JAPAN FIN 5 5/8 96  ER AMER DEV 900  LAND A 1/2 99  TEK HUNGARY 10 3/4 98  EKEY 10 3/4 98  EKEY 10 3/4 98  ELDEN 6 1/8 98  BK JAPAN FIN 5 5/8 98  INCOMPANY 10 3/4 98  ELDEN 6 1/8 98  BK JAPAN FIN 5 5/8 98  BK JAPAN S 3/4 90  WISCHELL MOTORS 7 1/2 95  WANDER 5 1/2 94  BY JELAND 6 3/8 98  ELDEN 6 1/8 98  WERL 10 5/8 98  LAND 6 3/4 98  SAMELE COWN TILL 2 5/8 98  WERL 10	250 100 900 100 150 100 240 240 200 150 600	90 97 100 97 100 97 97 97 97 97 97 97 97 97 97 97 97 97	87 % 90 98 97 % 101 % 94 % 100 w 96 % 95 % 74 87 % 100 %	***************************************	8.03 7.25 7.14 7.21 7.12 7.05 7.18	MITSUI FIN ASIA 1/8 %  MAT WEST THE MICOS  NEW ZELAND 1/8 %  EENE 98  SOCIETÉ GÉNERALE 96  SOCIETÉ GÉNERALE 96  UNITED KINGDOM -1/8 96.	200 600 100 400 250 500 125 4000 185	77.33 100 10 92.55 100 22 99.95 99.95 99.95 99.75	79.2 7 93.5 2 100.3 5 100.0 99.7 99.2 100.0 99.3	70 10.123 4 533 50 5.256 17 4.371 13 4.182 15 3.877 14 4.564 10 191 14 10 191
INCLE CUROPE 4 3/4 98 5 1/2 98 6 1/2 98 6 1/2 98 6 1/2 98 6 1/2 98 6 1/4 95 6 1/4 95 6 1/4 95 6 1/4 96	250 100 900 100 150 100 240 240 200 150 600	90 97 100 97 100 97 97 97 97 97 97 97 97 97 97 97 97 97	87 % 90 98 97 % 101 % 94 % 100 w 96 % 95 % 74 87 % 100 %	***************************************	8.03 7.25 7.14 7.21 7.12 7.05 7.18	MITSUI FIN ASIA 1/8 %  MAT WEST THE MICOS  NEW ZELAND 1/8 %  EENE 98  SOCIETÉ GÉNERALE 96  SOCIETÉ GÉNERALE 96  UNITED KINGDOM -1/8 96.	200 600 100 400 250 500 125 4000 185	77.33 100 10 92.55 100 22 99.95 99.95 99.95 99.75	79.2 7 93.5 2 100.3 5 100.0 99.7 99.2 100.0 99.3	70 10.123 4 533 50 5.256 17 4.371 13 4.182 15 3.877 14 4.564 10 191 14 10 191
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### **COMPANY NEWS: UK**

attacks

Henlys'

THE £25.9m takeover battle

between T Cowie and Henlys.

both motor traders, intensified

yesterday as Cowie wrote to

its target's shareholders

attacking Henlys' manage

The letter quoted Panmure

Gordon, the stockbroker acting for Henlys, saying Cowie shares were cheap. It also quoted Mr Robert Wood, chief

executive of Henlys, saying he

had a "very high regard" for Sir Tom Cowie, chairman of

# US side holds Prudential back

Holmes Protect loses debt in restructuring

said having sorted out the balance sheet, management could concentrate on the

group's operations. The market is generally difficult in US (where Holmes has most of its activities) but for Holmes it is

better because we are in niche markets."

The announcement ends a controversial

period in which the previous management

defaulted on loan repayments and interest last year after spending \$140m on 23 acqui-sitions in rapid succession.

A new management team, led by Mr

Kohn and Sir Ian, a former chairman of

British Steel, then led a revolt and was

appointed to the board last September. Yesterday's restructuring was a mixture

of firm placing and underwrited open offer

for existing shareholders. Of the 41.3m

shares to be issued, 5.2m have been firmly

placed with institutions. Sir Ian is taking

up shares worth \$500,000.

The lenders' 19 per cent stake accounts

INVESTMENT TRUST DIGEST

EXCHANGE RATE factors restricted Prudential, the UK life assurance company, to a slight fall in new business during the first six months of this year, according to figures released yesterday.

In sterling terms, worldwide annual premium business fell slightly to £310m (£315m) while single premiums were static at £1.84bn. Both figures would have shown an increase in con-

stant exchange rate terms. Interest centred on the figures for Jackson National, the US life insurance company which Prudential bought in 1986, where new business figures fell sharply. In sterling terms, annual premiums fell-

HOLMES PROTECTION, the US security

company quoted in the UK, and where Sir Ian MacGregor is chairman, yesterday announced its long-awaited debt restruct-

uring, as part of which it is issuing new

shares to raise \$37m (£19.3m).

The deal will eliminate \$72.6m of loan

notes and accrued interest, leaving

Holmes almost debt-free with net assets of

42m. In return US institutions currently

holding the loan notes will receive at least

19 per cent of the enlarged capital and up

Existing institutions mainly participated

in the restructuring which prices new

shares at 62%p, equivalent to 2%p before a

1-for-25 share consolidation which will

take place after a special general meeting.

Mr Eric Kohn, chief executive officer.

By Richard Gourley

to \$28m cash.

premiums from £851m to £519m.

Mr Mick Newmarch, group chief executive, said: "Low US interest rates have made the market for fixed interest annuity products much more difficult. However, the decline also reflects a planned slow-down by Jackson in the sales of term assurance business."

Analysts had been worried that Jackson, a market-driven company, had been expanding too fast, and welcomed these figures, although US business dropped more than had been

Jackson concentrates on term assurance because it offers an easy way for its sales representatives to make new contacts. However, the Pruden-tial said that it was unhappy

with the low profit margins generated by the business, and with the high initial commissions paid to salesmen. It was therefore glad to see the amount of term business

Annuities also suffered. Annuity rates tend to be closely linked to base rates. which are low in the US. This has prompted investors to buy mutual funds - the US equiva-lent of unit trusts. The Prudential said "the rates on offer from the annuity bond were quite attractive. It's just a fashion in the US for mutual

Mr Roman Cizdyn, analyst at Smith New Court, said "it's quite right and proper that you should get a slow down at Jackson National at some time.

It's shareholder owned and shareholders expect to get something back."

Jackson's figures concealed strong growth in the UK. where annual premium business increased by 6 per cent to £172m - following 2 slight fall over 1991 as a whole - while single premiums increased 56 per cent to £1.06bn.

The figures were in part aided by the recession as consumers made conservative investment decisions

The Prudence Bond, a heavily marketed single pre-mium with profits product, took in £350m and helped sin-gle premiums for life and general annuity products to increase almost fivefold from

for 7.8m shares. An additional 10.2m shares have been conditionally placed

with UK institutions. A further 15.36m

shares, which the lenders have in effect agreed to underwrite, will be on offer to

existing shareholders at a 1-for-9.26 conver-

The lenders will also receive warrants to

subscribe to an additional 5 per cent of the enlarged capital, at the 62½p placing price, and they will receive \$2.2m in raim-

In a circular to shareholders, Mr Kohn

said the group planned to increase the rate of retention of existing subscribers and better utilise the operating companies'

security monitoring capacity.

"We have put the accounting on to a

transparent and conservative basis, we

have got rid of the debt and we have five excellent operating companies," Mr Kohn

cion rate.

bursement of costs.

The letter went on to say that Henlys' management team was not new, as Henlys has said; that it achieves a lower return from its motor dealerships than Cowie does and questioned the ability of Henlys' management to turn round the loss-making bus and coach building business.

Cowie said Henlys had "a falled strategy implemented by a weak management". Cowle's share price fell 2p to 137p, making its all-paper offer worth 68%p per share. Henlys shares were unchanged at

Mr Wood said that Mr David Matthews, Henlys' former chairman and chief executive, had left the company last November and he had become chief executive then,

Two other executive directors had left last year and, including himself, four board appointments made. He said that Henlys' and

Cowie's motor dealerships were not comparable as Cowis had a substantial leasing business. It was not known how profits were divided between the two activities.

Mr Wood also said that while he respected Sir Tom as a motor dealer, the letter showed that Cowie did not understand manufacturing. He said he was saddened that the battle had focused on

"it suggests their case is not so announced yesterday.

The launch goes against the

recent trend for unsuccessful new issues, although this was partly because the trust's investment policy was regarded as being unusually conservative.

Kleinwort Benson Investment Trust Management, said he was "delighted" by the level of response, and added: "We are very pleased to see that the majority of the money has come from stockbrokers, inter-

### Trust fully subscribed By John Authers ber shares will receive 70.77

Institutions had taken \$22.5m in a placing, leaving the balance for private investors and intermediaries. Applications were received for ordinary shares worth £7.88m.

per cent of the total for which they applied.

The sale would realise an

extraordinary profit in the sec-

ond half of about £80m, give an

increase of 70p in assets per

share and remove "misunder-

stood" finance leases from the

balance sheet, another City

Mr Buffett said that also

within two years. Sensormatic and ASH would be "eating

each other in Europe"; both

companies would have expan-

ded considerably and a later

sale would have foundered on

slipped to £96.7m (£97.3m),

though the latter figure

included £2.2m from discontin-

ued businesses. Trading profits

competition rocks.

Mr Ben Siddons, chairman of

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total lasi year
Abtrust licotlandin	0.61	Oct 1	0.55	0.6	0.55
Auto Security	2.25	Dec 7	2.07	-	4.9
Central Motor §Int	1	Oct 1	1		4
Clayhithetin	1.75	July 24	4.2	2.5	6
First Spanish	1.15	Oct 16	1	1.15	1
Fiem Claverhouseint	5	-	5	-	10.5
Flem Oversessfin	2.5	Oct 16	2.5	4	4
N'umbrian Fine §tin	nli	-	1	0.75	1.75
Radius \$nt	0.9	Sept 26	D.9	_	2.7
Reutersint	5.8	Sept 14	4.7		17
SmithKilneint	2.075‡†	Oct 15	1.875	-	7.7

Dividends shown pence per share not except where otherwise stated. tOn increased capital, \$USM stock, \$Second Interim.

# Cowie letter ASH sharply lower at £6.55m as reconstruction gathers pace

management

AUTOMATED Security (Holdings), the electronic security company which is on the verge of selling its loss prevention side for £150m, yesterday reported pre-tax profits more than halved from £13.9m to £6.55m in the six months to May 31.

Mr Tom Buffett, chairman, stressed that the imminent sale to Sensormatic of the US - to be closed between Monday and Wednesday next week was only part of the significant refocusing the company has undertaken. There was the sale of the 26.4

per cent stake in Scantronic, the security alarms maker, in April and the rationalisation and reorganisation of the core Security Systems in the UK, which was started in February. The latter was represented in exceptional charges of £4m, which accounted for a substantial portion of the decline in profits, along with a £1.1m rise in interest payable to £8.93m.

The loss prevention sale kills several birds with one stone.
ASH had considered a flotation "à la Vodafone" to stymie potential bidders - its rival ADT had taken a 3 per cent stake in spring 1990 - but this came to nothing and a sale was

sought. Aside from this "defensive" function, Mr Buffett said the sale should change the mar-ket's perception of ASH as a highly indebted company liable to go the way of "Maxwell, Polly Peck or Brent Walker".

All sterling bank borrowings

would be eliminated, though

Tom Buffett - sale part of a significant refocusing dollar borrowings would fell to £18.6m (£21.1m) and earnings tumbled to 1.9p (7.8p) remain against dollar assets, per share or 4.9p before the exceptional.

Had the sale to Sensormatic gone through within the six months, ASH's half-year figures would have looked better. It has produced pro forma figures to reflect its post-sale

These showed a sharp decline in turnover to £65.3m and, after a £7.5m adjustment reducing interest payable to £1.4m, pre-tax profits would have emerged at £8.7m. Pro forma earnings would have worked through at 3.5p, or 6.5p before the exceptional costs.

Group turnover in the half Because of the Sensormatic sale and the pro forma profits, the interim dividend is lifted to 2.25p (2.07p).

Charterhouse

Estates in

receivership

By Vanessa Houlder,

£10m.

Property Correspondeni

Charterhouse Estates and its

CEL Liverpool subsidiary, property companies owned by the water authorities' pension

fund, have been put into

administrative receivership

with secured debts of over

The two companies are involved in inner city regener-

ation. CEL Liverpool owns

several hundred residential

and corner shop proper-ties in Liverpool while

Charterhouse Estates owns

development sites in South-

Mr Chris Barlow, of Cork

Gully in London, who with Mr Mark Palios, of Cork Gully in

# Northumbrian Fine Foods passes final

AN EXCEPTIONAL charge of £550,000, against a credit of 2410,000 last time left pre-taxprofits at Northumbrian Fine Foods 41 per cent lower at £155,000 in the year to March

The shares fell from 4p to 3½p.

31, compared with £264,000. After a tax credit of £119,000 (£117,000 charge) earnings per share came out at 0.97p (0.51p). It is proposed to pass the final dividend leaving the interim of 0.75p for the year compared with last year's uncovered

Madrid fall

reflected at

First Spanish

FIRST Spanish Investment

Trust, which aims to secure

capital appreciation through

its portfolio of Spanish equi-

ties, showed a near-8 per cent decline in net asset value, from

85.2p to 78.6p, over the year to

Directors said the fall mir-

rored that of the Madrid Stock

Exchange index, after adjust-ing for exchange rate move-ments, and masked an

improved performance in the second half of the year.

£420,584 (£354,780) for earnings

Net revenue amounted to

of 1.19p (1p) per share. The single dividend for the year is 0.8p on the figure 12 months

The shares, traded on the USM, lost 6p to close at 22p, the lowest level for the year. Turnover almost doubled to £16.7m (£8.82m) following the acquisition of John J Lees, Biscuits for the Connoisseur and

Cakes for the Connoisseur. Operating profit advanced to £1.13m (£279,000) and the net interest charge was little changed at £423,000 (£425,000). Mr Kevin O'Keeffe, chair-man, said that prudence had dictated substantial adjust-

raised to 1.15p (Ip).

Fleming Overseas

net assets dip 10%

The Fleming Overseas Investment Trust saw its net asset

value fall by some 10 per cent

the 12 months to June 30.

from 239.6p to 214.8p - over

Available revenue totalled

\$5.31m (25.15m), equivalent to 4p (3.87p) per share. A same-again final dividend of 2.5p

maintains the total for the year

Fleming Claverhouse

net assets at 337.1p

Claverhouse Investment Trust

was 837.1p per share at June

ments to the Lees balance sheet and goodwill from the Connoisseur acquisitions had been written off. That had left net assets of £6.76m against net

borrowings of 25.82m. He added that trading had been tough in last months of the year and the difficulties had persisted into the first quarter of the present year. However, real signs of recovery were being seen and the impact should be evident by

earlier, but down 2.2p on the

Available revenue for the six

months to end-June amounted

to £985,000, up from £905,000.

The interim dividend is held at

5p, again uncovered by earn-

ings of 4.91p (4.52p) per share.
The directors intend to main-

tain the total distribution for

Net assets up 5.2%

at Abtrust Scotland

Abtrust Scotland Investment,

which concentrates its portfo-lio principally in unlisted Scot-from 0.55p to 0.8p.

BOARD MEETINGS

trust's year-end value.

the year at 10.5p.

Mr O'Keeffe said the company was still searching for a permanent chief executive fol-lowing the departure of Mr Richard Adams as chairman and chief executive in June.

The exceptional charge included costs relating to Mr Adams's departure as well provisions for slow moving and obsolete stocks of packaging materials and a discount giver to the purchasers of Danish Natural Foods in return for early settlement.

tish companies, reported a net asset value of 32.2p as at May

31 - a rise of 5.2 per cent over

Mr Calum MacLeod, chair-

ing the year, the trust commit-

ted funding of more than

£700,000 to three investments,

Net revenue rose to 2258,845 (2228,072), equal to earnings of 0.77p (0.75p) per share on the

increased capital. The single

dividend for the year goes up

FUTURE DATES

all in the Grampian region.

Kalon reports heavy interest in Mander Centre

Mr Mike Hennessy, managing man, said the north-east of director of Kalon, yesterday Scotland had "appeared to said that he had been "inunhave escaped some of the worst dated with inquiries" from aspects of the recession". Dur-companies interested in companies interested in acquiring the Mander Centre. This is the office and retail

development in Wolverhampton Kalon would own if it was to win its hostile £91.5m battle for rival paint maker Manders

(Holdings). Kalon has frequently said it would not keep the Mander Centre, though it has consistently stressed it would be under no pressure to sell it.

"The gearing of the deal means that it's not essential for us to sell it quickly, or even at all, if conditions don't permit," Mr Hennessy said.

# **Kleinwort Endowment**

KLEINWORT Endowment Policy Trust, an investment trust investing in unmatured endowment policies, was fully subscribed and raised more personalities but added that than £30m at launch, it was

The maximum size for the trust had been set at £30m due to worries about the total sup-ply of suitable policies in the

Applicants for up to 250,000 ordinary shares accepted in full, while applicants for more than that num-

mediaries and the public." Share certificates will be posted on Friday, July 24, and expected to start on Monday. July 27.

# DIVIDENDS ANNOUNCED

			_		
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total lasi year
Abtrust licotlandin	0.61	Oct 1	0.55	0.6	0.55
Auto Security	2.25	Dec 7	2.07	-	4.9
Central Motor 9Int	1	Oct 1	1	-	4
Clayhithetin	1.75	July 24	4.2	2.5	6
First Spanish www.fin	1.15	Oct 16	1	1.15	Ť
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N'umbrian Fine §tin	nli	-	1	0.75	1.75
Radius \$nt	0.9	Sept 26	0.9	_	2.7
Reuters management int	5.8	Sept 14	4.7		17
SmithKilneint	2.075‡†	Oct 15	1.875	-	7.7

Liverpool, was appointed a joint administrative receiver, said he was unable to put a value on the companies "Given the complexity of the property situation and the state of the market, at this stage I cannot be precise about what our strategy for disposing of the properties will be so it is too early to estimate the likely realisation from the property portfolios."

> Mr Barlow said the total size of the companies liabilities was unclear.

Swiss Bank Corporation

l Aeschenvorstadt CH-4002 Basie

Morgan Guaranty Trust Company of New York

B-1040 Brussels

Banque Internationale à Luxembourg S.A.

2 Boulevard Royal

### No. 004790 of 1992

IN THE HIGH COURT OF JUSTICE Chancery Division

Mr Justice Millett

IN THE MATTER OF THE MEDITERRANEAN INSURANCE & REINSURANCE COMPANY LIMITED

IN THE MATTER OF

THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that, by an Order dated 20th July, 1992 made in the above matters, the High Court of Justice has sanctioned the Scheme of Arrangement ("the Closing Scheme") between The Mediterranean Insurance & Reinsurance Company Limited ("the Company") and its Closing Scheme Creditors (as defined in the Closing Scheme) so as to be binding on the Company and the Closing Scheme

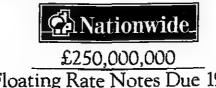
The Closing Scheme became operative on 21st July, 1992.

Any person who is or believes that he may be a Closing Scheme Creditor can obtain copies of the Closing Scheme Claim Form and the Form of Withdrawal from the Company's registered office at Ibex House, 42-47 Minories, London EC3N 1DY or from the office of Clifford Chance, Royex House, Aldermanbury Square, London EC2V 7LD, in each case during usual business hours on any day (other than a Saturday or a Sunday) prior to 18th November, 1992.

Closing Scheme Creditors should note that failure to return the Closing Scheme Claim Form and, if appropriate, the Form of Withdrawal in respect of any Closing Scheme Claim to the Company by 19th October, 1992 in accordance with the provisions of the Closing Scheme may, in certain circumstances, result in such claim being valued at nil.

22nd July, 1992 By Order of the Board M. Collins Secretary

### THE LEEDS £200,000,000 Floating Rate Notes Due 1994 Interest Rate: 10.525% Interest Period: 21st July, 1992 to 21st October, 1992 . Interest Amount per £5,000 Note due 21st October, 1992 £132.28 Interest Amount per £50,000 Note due 21st October, 1992 £1,322.81



Floating Rate Notes Due 1996 (Issued by Nationwide Building Society) Interest Rare: 10.475% p.a.

Agent Bank Baring Brothers & Co., Limited

Interest Period: 21st July, 1992 to 21st October, 1992 Interest Amount per £5,000 Note due 21st October, 1992 £131.65

Interest Amount per 150,000 Note due 21st October, 1992 £1,316.53

Agent Bank Baring Brothers & Co., Limited

### NOTICE OF EARLY REDEMPTION

To the Holders of

SECURITIES TRANSFERRED AND REPACKAGED INTO POUND EQUIVALENT SECURITIES LIMITED £100,000,000

Floating Rate Notes due 1996 (the "Notes")

NOTICE IS HEREBY GIVEN that pursuant to Condition 3(B) of the Terms and Conditions of the Notes, Securities Transferred and Repackaged Into Pound Equivalent Securities Limited ("Stripes"), will redeem all of the outstanding Notes on 28th August, 1992 (the "Redemption Date") at par (the "Redemption Price"). From and after the Redemption Date, interest will cease to accrue on the Notes unless, upon due presentation, payment of principal is improperly withheld or refused. The Notes should be presented for payment of the Redemption Price on or after the Redemption Date. Each Note presented for redemption should be presented together with all unmatured Coupons appertaining thereto. Unmatured Coupons due after the Redemption Date shall become void and no payment shall be made in respect thereof. Coupons due on 28th August, 1992 should be presented and surrendered in the usual manner.

Any Notes presented for redemption missing any unmatured Coupons will only be paid upon the holder providing such security and indemnity as Stripes may require.

Payments in respect of the Notes will be made upon presentation and surrender of the Notes together with unmatured Coupons relating thereto at the offices of any of the paying agents detailed below by a Sterling cheque drawn on or, at the option of the holder, by transfer to a Sterling account maintained by the payee with a Town Clearing Branch of a bank in the City of London and subject to any fiscal or

other laws applicable in the place of payment. Notes and Coupons shall become void unless presented for payment within a period of 10 and 5 years respectively from the payment dates relating thereto

PAYING AGENTS Morgan Guaranty Trust Company of New York 60 Victoria Embankment London EC4Y 0JP

Morgan Guaranty Trust Company of New York ainzer Landstrasse 40 D-6000 Frankfurt am Main

Morgan Guaranty Trust Company of New York 14 Place Vendôme

PRINCIPAL PAYING AGENT Morgan Guaranty Trust Company of New York 60 Wall Street New York NY 10260 (for payment of principal only)

SECURITIES TRANSFERRED AND REPACKAGED INTO POUND EQUIVALENT SECURITIES LIMITED By: Morgan Guaranty Trust Company of New York

as Principal Paying Agent Date: 22nd July, 1992

# Cowabunga! Risc management for Turtles |St Modwen | Recession pushes

Michiyo Nakamoto details the growth of a small semiconductor company

the film puppet versions of the Teenage Mutant Ninja Turtles cartoon characters to smile and say "cowabunga!" was developed by a small British company based in Cam-

Advanced Risc Machines, founded two years ago, developed the reduced instruction set computer (RISC) microprocessors which are at the beart of computer controls inside the Turtles enabling the puppets to talk, pout. blink and snarl.

ARM's risc chips were recently chosen by Apple, the US computer company, for its new consumer gadget, an allin-one portable electronic notebook, word processor, fax machine and computer.

The success of the company. which has only 30 employees, is an impressive achievement in an age when large and powerful semiconductor manufac-turers have been suffering in the face of intense competition and sharp price falls in certain product areas.

It also turns on its head the notion that the UK is infertile ground for nurturing entrepreneurial high technology com-

The company was born out of one very good idea - a chip which offered high performance at low cost and low power consumption. These characteristics make the ARM chip ideal for portable products made in large volume, such as small consumer electronics

The chip was originally developed at Acorn, the UK computer offshoot of Olivetti. the Italian computer and office

THE sophisticated electronics which allowed chips in the early 1980s, ARM claims its original chip was the first to be commercially avail

It was extremely popular among outside engineers. including a group at Apple who liked the fact that it was easy to write software for it.

Acorn, faced with increasing development costs, decided to spin off the chip into a joint venture, which was ARM. Acorn retained 46 per cent,

Apple held 46 per cent and VLSI Technology, a US manufacturer of semiconductors. which had been a licensee of the technology, had a minority holding.

The presence of Apple and Olivetti in the background helped open a few doors to the budding company.

Nevertheless, much of the credit for ARM's success goes to the business philosophy of Mr Robin Saxby, managing director, who was recruited to head the group from European Silicon Structures where he was managing director.

The business model that Saxby adopted and which has enabled ARM to grow, is one more commonly seen among small entrepreneurial companies in Silicon Valley than in

Mr Saxby calls it "partnering in multiple dimensions". It is a strategy of forming wide-rang-ARM to concentrate mainly on design, leaving other compa-nies to provide additional

Each member brings to the partnership their own strengths and nobody does what someone else can do better. Mr Saxby says. ARM itself will research.

Mutant Ninja Turtles: controlled by microprocessors

design and develop its products. Its partners will look after the manufacturing, which is a capital intensive undertaking that can be of considerable risk for a small company, and much of the marketing and sales efforts. It will, however. train its partners' sales person-

nel intensively.
ARM licenses its technology to outside semiconductor companies but the relationship goes considerably beyond the conventional one between manufacturer and subcontrac-

The manufacturers, which Mr Saxby calls ARM's "semiconductor product partners", work with ARM on joint design, serve as its worldwide

modest budget it has put a lot of effort into winning public funding for long-term research. For example, ARM is a partner in a project that is being funded by the Open Microsys-tems Initiative, an EC pro-

friends," Mr Saxby says.

The strategy of using what-

ever outside resources it can, if

it can do so more effectively.

Because the company has a

extends to research funding.

gramme worth Ecussin (£46m). It has avoided the pitfall of many innovative companies of having brilliant technologies but not being able to market them successfully, by sticking to a strictly customer-driven

siness strategy. While the company will research and develop technolo-gies, it will wait until it has found a specific customer who needs to turn those technologies into a product, rather than implement them for their own

"That is how you penetrate markets," Mr Saxby says. For now, ARM is focusing on those products where it has an edge, the ARM chip and its

family of related products.

The company is setting its sights on the Japanese market where it sees potential in high volume portable consumer products in which Japanese electronics companies are showing increasing interest.

For the Japanese, the ARM partnering strategy also provides a way for them to achieve potential synergies, Mr Saxby says.

A series of presentations it made in Japan recently attracted huge crowds and it expects to announce a licensing agreement with a Japathe little guy can win particu-larly if he has some big end of the year. nese chip manufacturer by the

# bucks trend with rise to £1.04m

By Paul Cheeseright, Midlands Correspondent

ST MODWEN Properties, the Birmingham-based investment and development company, yesterday defied the general sector trend by announcing a marginal increase in interim

For the six months to May 31 profits rose from £1.02m to £1.04m at the pre-tax level. Turnover was £11.4m, against £33.4m last time when sales were inflated by one unusually large property sale. Earnings per share were unchanged at

0.6p.
The company is now receiving rental income in excess of interest payments and, according to Mr Stan Clarke, chairman, by the end of this financial year rental income will cover both interest charges and management costs.
Gross rental income during

the first half was £3.3m. but interest charges were £2.5m (£3.2m). The company does not capitalise its interest charges Gearing was fractionally reduced to 85 per cent but is expected to show a modest rise by the year-end.

· Mr Clarke, through a personal company, is injecting 21.56m into Uttoxeter Leisure & Development, 81 per cent controlled by St Modwen and owner of the Uttoxeter race-course. The injection, in exchange for shares, will have the effect of eliminating the racecourse company's debts to St Modwen and provide funds for course improvement.

# Aer Lingus I£3m into the red

By Vincent Boland in Dublin

AER LINGUS, the Irish national carrier, reported a pre-tax loss of IE3.1m (E2.9m) for the year to March 31, its first deficit for 10 years. Profits last time were I£6.6m.

The after-tax deficit amounted to If11.8m (IE8.3m The airline has been badly hit by the slump in interna-

tional air transport and difficult trading conditions in

ancillary services.

Losses on its core air transport business fell by 11 per cent to 1637.9m (1642.5m). Traditionally these have been off-set by profits in ancillary ser-vices but the impact of on in the UK and the US forced the group into loss. Turnover rose by 8 per cent to I£849m (I£784m).

Mr Cathal Mullan, chief executive, said the losses in the air transport division were "particularly disappointing".

Revenue traffic on IATA atrlines fell by 4 per cent during 1991. European airlines saw passenger numbers fall by 6.5 per cent on internal European

The aircraft maintenance and ground handling division saw profits fall 29 per cent to I£14.6m (I£20.7m), reflecting the impact of the recession in the industry worldwide.

Profits at its hotel division, which includes the Copthorne chain in the UK, felt the impact of the recession and declined 3 per cent to 1212m

**NEWS DIGEST** 

puter systems and mainte-

(IE12.4m). The sale of the Berkshire Place Hotel in New York helped offset the poor trading

The biggest decline, however, was in the commercial holdings division, which includes the 9 per cent stake in GPA Group, where profits fell 49 per cent to IES.2m

The group has adjusted the value of its GPA stake "in line with indicated market value." Mr Mullan said. The collapse of GPA's planned stock market flotation last month was a blow to Aer Lingus, which had hoped to sell 4m of its 19m shares in the aircraft leasing company to reduce debt.

Total passenger numbers carried by the group in the year rose by only 1 per cent to 4.3m. Its passenger load factor fell from 71 per cent to 68 per cent and its overall load factor from 68 per cent to 66 per cent. No dividend is declared for the year. Last year the group

reluctantly paid out 19500,000 after a dispute with the Irish government, its sole share-holder, which insisted on a dividend despite a fall in profits. Gearing climbed from 109 per cent to 133 per cent.

Mr Mullan said the international recession showed little sign of abating, and in addition price wars and excess capacity had combined to drive down revenues on some of its principal routes. Targeted improvements in air transport results would be "very difficult to achieve," he added.

Peter Job (left), with Mark Wood, editor-in-chief, and Rob Rowley, finance director

# Reuters plans global TV expansion

to explore new opportunities in global television with its US partner, writes Andrew Bolger. It will buy out minority stakes in Visnews

the international television news agency, held by NBC and the BBC and eventually aims to put together its conventional news agency oper-

Reuters said yesterday that its 10-year ation with Visnews to form the world's largest television partnership with NBC would allow it reporting network.

Visnews will continue to produce mainly raw news feeds to existing programmes and networks, although it already produces some complete programmes of its own.

It has 454 staff worldwide while Reuters has

1,100 reporters and photographers.

### Greene King pushes case to Morland holders

By Philip Rawstorne

GREENE KING, the Suffolkbased brewer, yesterday pressed its bid for Morland, its Thames Valley rival, with a reminder to its target's share-holders of the "substantial financial benefits" available under the offer which closes on

marketing and sales force and

provide local support.
For example, VLSI and GEC
Plessey Semiconductors which

are are the present licensed

manufactures, also market

ARM's products. As a result

ARM has already been supply-

ing chips to Japan where it

ARM also works with univer-

sities on long-term research

and development. It is working

with a group at Manchester

University on advanced ARM

These partnerships are a

large asset for a small upstart.

"We're the little David fighting

the big Goliath but sometimes

architecture ideas.

does not yet have a presence.

These include a threefold increase, from 11.2p to 33.75p, in gross annual income and a capital uplift of nearly 50 per cent, Greene King said.

Mr Simon Redman, Green <u>King chairman, maintained</u> that the offer - worth 484p in convertible preference shares or 450p cash - was generous. Greene King's share price has increased from 507p to 520p since it announced its offer. Over the same period, the regional brewers' index has fallen by more than 11 per cent and the FT-SE 100 has fallen by more than 10 per cent.

"This strong performance indicates that the stock market does not give any credence to what we consider to be the misdirected criticisms of Greene King and its manage-ment which Morland's board has been making," Mr Redman

Greene King said last week that it had control of 46.9 per cent of Morland's shares.

Yesterday, however, SG War-burg, on behalf of Morland shareholders, lodged with Greene King notices of withdrawal in respect of 223,408 shares previously assented to the offer. They amount to 1.05 per cent of Morland's issued share capital and bring the number of withdrawals lodged since July 14 to 322,522 shares or 1.52 per cent of Morland's share capital.

# Central Motor halved

CAPITAL SPENDING on site development contributed to a halving of pre-tax profits at Central Motor Auctions.

Auction proceeds, excluding VAT, for this USM-quoted com-pany, fell £3m to £162.8m for profits of £432.000 (£961,000). The result was struck after a

downturn from interest received of £156,000 to £112,000 payable as a result of the capital expenditure, and included exceptionals of £165,000 (£256,000) from property sales. Earnings per share came out at 2.7p (5.1p). The interim divi-

dend is maintained at 1n. Radius helped

by cost controls

Radius, the USM-traded com-

Issued and

fully paid

£3,430,447.10

sharply into losses

nance group, reported profits of £525,000 before tax for the six months to May 31. The outcome compared with

2801,000 in the corresponding half but marked a sharp improvement over the second six months of last year when profits, before exceptional items, amounted to just

Mr Michael Roberts, chairman, said the latest upturn reflected tightened operational controls and cost reductions. Turnover declined £12m (£14.7m) following "recessionary pressures" and the discon-

Earnings per share fell from 1.7p to 1p, but the interim dividend is maintained at 0.9p.

tinuation of loss-making activi-

Claybithe dives

Clayhithe, the investment company, fell to losses of £548,000 in the 12 months to March 31.

In the previous year there were restated pre-tax profits of £1.57m. Turnover fell from £20.9m to £20m.

Exceptional charges of £703,000 included £582,000 reorganisation costs in active investments.

Losses came through at 1.8p (4.3p earnings) basic. Fully diluted earnings were 0.8p (4.6p). As already announced, a final dividend of 1.75p (4.2p) makes a total of 2.5p (6p). Net asset value per share

was 94p at March 31 against a restated 111p a year earlier.

### GWR loss nearly doubled to \$13.6m

Great Western Resources, the US-based oil, gas and coal company which has a USM quote, fell deeper into the red in the helf year to March 31 with a pre-tax loss of \$13.6m (£7.1m) against \$7.3m.

Losses per share were 15 cents (8 cents) and there is no interim dividend (2.5p gross).

# **NOTICE OF EARLY REDEMPTION**

The Goodyear Tire & Rubber Company

¥12,500,000,000

6 7/8% Yen Bonds Due 1994

Notice is hereby given that, pursuant to the Terms and Conditions of the above-mentioned Bonds (the "Bonds"). The Goodyear Tire & Rubber Company has elected to redeem all of the outstanding Bonds on August 28, 1992 at the redemption price of 100,50 percent of the principal amount thereof plus accrued interest thereon from December 18, 1991 to such date in the amount of ¥47,743 per Bond.

The redemption price together with accrued interest as aforesaid will be paid upon

presentation and surrender of the Bonds at the office of the Fiscal Agent or any Paying Agent

specified below. Payments will be made by cheque drawn on, or, at the holder's option, by transfer to a Yen account maintained by the Payee with, a bank in Tokyo. No payment will be made to an address in the United States or by transfer to an account maintained by the Payee in the United States. Bonds presented for payment should be accompanied by all unmatured Coupons

appenaining thereto. The face value of any missing unmatured Coupon will be deducted from the sum due for payment. The face amount of any such missing Coupon will be paid against surrender of such missing Coupon within three years from the date on which such Coupon by its terms became due.

Interest payments due on or prior to December 18, 1991 are payable upon presentation of relative Coupons in the manner provided above. Interest shall cease to accrue on the Bonds on and after August 28, 1992

THE BANK OF TOKYO, LTD

July 22, 1992

Fiscal Agent and Principal Paying Agent

The Bank of Tokyo, Ltd.

Bahnhofplatz I 8023 Zurich

FISCAL AND PRINCIPAL PAYING AGENT The Bank of Tokyo, Ltd 3-2. Nihombashi Hongokucho 1-chome Chuo-Ku, Tokyo 103, Japan

**PAYING AGENTS** 

Kredlethank S.A. Luxembourgeoise 43. Boulevard Royal L-2955 - Luxembourg

Bank of Tokyo (Deutschland) AG

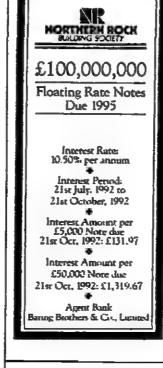
Avenue des Arts 58

B-1040 Brussels

Morgan Guaranty Trust Company of New York 60 Victoria Embankment London EC4Y OJP

Finsbury Circus House 12-15 Finsbury Circus London, EC2M 7BT 6000 Frankfurt am Mam I Bank of Tokyo (Schwelz) AG The Bank of Tokyo, Ltd

> The Bank of Tokyo, Ltd. 4-8 rue Sainte - Anne 75001 Paris





For the three months 22nd July, 1992 to 22nd October, 1992 the Note will carry an Interest Rate of 33% per cent, per annum with a Coupon amount of U.S. 394,24 per U.S. 390,24 per U.S. 390,24 Coupon amount or U.S. S10,000, Interest, payment date 22nd October, 1992. HongkovyDunk London Limited Interest Determination Agent

MELLON BANK CORPORATION

US \$200,000,000 FLOATING BATE NOTES DUE 1994

معمدين در ايروايي ويوجون دريوي التراضي<del>ة ميواني والمستشيد</del> بين المستشيد والمراد المالي المتعارب والمرادي والمرادي

Notice is iterate given that for the luterest period from 21 July 1992 to 21 October 1992 the Notes will carry an interest rate of 166875% per annual. CHEMICALEANN 21 Agent Stock

OPTIONS TRADERS FOR AN EPPICIPIT AND COMPETITIVE SERVICE

undon Senci. Exchange. It does not constitute an invitation to the public of becribe for, or purchase, any shares. Application has been made to the nodernote for, or purchase, any sometic reproduction also been manie to the indon Sanck Exchange for the grant of permission to deal in the under-entioned securities in the Unlisted Securities Market. It is emphasised that o application has been made for these securities to be admitted to listing.

FLEXTECH (1992) p.l.c. (Registered in England and Wales No. 2688411)

Introduction to the Unlisted Securities Market by N M Rothschild & Sons Limited of 34,304,471 ordinary shares of 10p each

Authorises

£4,100,000 ordinary shares of top each

Particulars relating to the Company are included in the Companies Fishe Service trailable from Extel Financial Services Limited, 17-45 Paul Street, London ECLA 4PB from 300 p.m. on 1st August, 1992.

Copies of the particulars are available for collection during normal business hours on 1st August and and August, 1992 from the Company Announcements Office, the London Stock Exchange, London Stock Fackange Tower, Capel Court Entrance,
Off Bartholomes Lane, London EC2 (by collection only) and on any weekday (Sarardays and Public Holidays excepted) up to and including

14th August, 1992 from: Fleurch (1912) pla ii Catorrepor Crescent, London 58 / 1976 N M Rothschild & Sons Limited New Court, St. Switten's Lane, Landon, 1749 4DL Casessore & Co.
12 Tokenhouse Yard, London 1428 71%

22nd July, 1992

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# Interest Rate Change

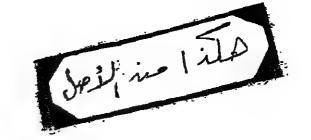
# FIRST OPTION BONDS

From noon on 21 July 1992 the first-year fixed rate of interest on offer for new purchases of FIRST Option Bonds changed from 10.34% gross (7.75% net) to 9.67% gross (7.25% net).

The bonus earned by bonds of £20,000 or more held to the first anniversary remains unchanged at 0.4% gross (0.3% net).



Issued by the Department for National Savings on behalf of the Treasury



# **SHIRESCOT**

Offer for Subscription sponsored by Williams de Broë Plc of up to 20,000,000 ordinary shares of 50p each (with warrants attached on the basis of 1 for 5) at 100p per share payable in full on application.

This Mini-Prospectus describes Shires High-Yielding Smaller Companies Trust plc ("SHIRESCOT") and the Offer for Subscription ("the Offer") now being made, it contains information in summary form drawn from the Company's Listing Particulars, dated 22nd July, 1992, which alone contain till details of the Company and the Offer. Copies of the Company's Listing Particulars are available from the addresses set out below from 22nd July, 1992 until the Offer closes. They are also available, for collection only, from the Company Announcements Office, the London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lame, London EC2, until 24th July, 1992.

In applying for Ordinary Shares Justin Warmante attached to the Office of the Company Court in the Company Announcements of the Company Announcements Office, the London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lame, London EC2, until 24th July, 1992.

In applying for Ordinary Shares (with Werrants attached) you will be treated as applying on the basis of the Listing Particulars, which should be read in confunction with this document, and the Terms and Conditions of Application set out in this document. These govern your rights and obligations.

The London Stock Exchange has authorised the issue of this document under s. 154(1) of the Financial Services Act 1986 without approving its contents. This document is not for distribution outside the UK, nor should it be treated as an offer or solicitation outside the UK.

The Directors are satisfied that this Mini-Prospectus contains a fair summary of the key information set out in the Listing Particulars. Application has been made to the London Stock Exchange for all the Ordinary Shares and Warrants issued and to be issued pursuant to the Offer and the Shires Subscription (as defined in the Listing Particulars and referred to herein) to be admitted to the Official List.

27th July 2.00 p.m. on 20th August 8.00 a.m. on 24th August 27th August
77% 8
27th August
28th August
3.00 p.m. on 29th September
3.00 p.m. on 1st October
2nd October
22nd October

INVESTMENT OBJECTIVES SI IIRESCOT has been formed to provide its shareholders with a high level of income, together with future income and capital growth, from a portfolio of equity and equity-related investments. The objectives of SHIRESCOT will be to:-

secure for its shareholders a gross yield on net assets at least 50 per cent. greater than the yield on the Financial Times-Actuaries All-Share Index ("the All-Share Index"), with the aim of increasing dividends faster than the rate of inflation; and

 provide an overall return to investors — by way of a combination of income and capital growth — greater than that of the All-Share Index. It is intended that the gross dividend yield on initial investment in SHIRESCOT will be at least 7.0 per cent. per annum in respect of the periods to 31st December, 1993.

Whilst there are currently a number of investment trusts seeking to achieve overall out-performance of the AII-Share index, there are few which aim to combine such overall out-performance with a level of income as high as that envisaged by the Company.

The Directors believe that setting a high yield objective is an effective means of minimising the tendency of ordinary shares in investment trusts to trade at a discount to net asset value. Their view would appear to be supported by the fact that, as at 17th July, 1992 (the latest practicable date before the publication of this document), shares of the three investment trusts floated since the beginning of 1991 which offer yields above the Ali-Share Index yield and have capital structures and investment policies comparable to that proposed for SHIRESCOT traded at an average premium of 5.2 per cent, to their respective net asset values. INVESTMENT POLICY

INVESTMENT PULICE
The Company intends to achieve its objectives by investing primarily in the ordinary shares of listed UK smaller companies with a market capitalisation of between £25 million and £250 million and a dividend yield of at least 120 per cent. of the yield on the All-Share index. They will comprise mainly companies whose shares are included in the Floare Govett Smaller Companies index ("the NCSC index") but may also include the shares of other companies with a slightly larger market capitalisation.

The Companies with the slightly larger market capitalisation, the states of other companies with a slightly larger market capitalisation. The Company may also invest up to 25 per cent. of its portfolio in the convertible preference shares or convertible loan stocks of UK smaller

### BACKGROUND

In its capacity as manager of a number of investment trust portrous with a high-yield objective, Glasgow Investment Managers Limited ("GIM"), who will be manager of SHIRESCOT, has conducted detailed research into the share price and dividend performance of high-yielding smaller companies in the UK during, and since, the recession of 1979/81. The companies analysed satisfied the investment criteria stated above and constituted a sample of well above 100 stocks.

The results of the research established parallels between the last and the present recessions in relation to the performance of investments in high-yielding smaller companies. GIM's findings can be analysed\* as follows:— 1979/67 recession

After the pre-election peak of the stockmarket in May 1979, both the All-Share Index and the HGSC Index reached low points in November 1979 as the UK stockmarket discounted the effect on companies of the developing

In May 1981, the Index of Industrial Production ("IIP"), a measure of the level of economic activity, reached a low point. Thereafter, the performance of high-yielding smaller companies improved relative to the All-Share Index. In the period to the end of 1988, the total return on high-yielding smaller companies exceeded that on the All-Share Index by an average of 5.8 per cent. per annum, representing an excess capital return of 4.2 per cent. per annum and an excess income return of 1.6 per cent. per annum. The aggregate outperformance for the period was 47 per cent.

1969 onward

Since the beginning of 1989, UK smaller companies have substantially underperformed UR equities generally. GIM believes that the principal reason for such underperformance has been the relatively greater effect of the downtum in the UK economy and of higher interest rates on smaller companies. Such companies have suffered from greater exposure to domestic economic pressures and a presence in sectors particularly reliant upon UK economic growth, compared with larger companies, which more often have the support of overseas earnings.

CIM believes that a number of parallels can be drawn with the 1979/81

The All-Share Index and the HGSC Index established low points (in October 1990 and January 1991 respectively) several months before signs of recovery began to appear in the UK economy. This was also the case in 1979.

The IIP appears to have reached a low point (in May 1991) some time after the low points of the UK stockmarket indices. This was also the case in 1981.

In 1991, the year in which stockmarket indices began to anticipate economic recovery in the UK, the returns on high-yielding smaller companies lagged considerably behind the All-Share index. This was also the case in 1980.

GIM believes that 1992/1993 will witness a recovery in the UK economy.

Several key indicators support this view:

Interest rates have fallen significantly and, with money supply growth and retail price inflation low, are expected to fall further. The financial deficit of UK companies, at a historically high level in 1990, contracted significantly in 1991 as a result of destocking, lower interest rates and refinancing through rights issues.

■ The IIP has stabilised. GIM now believes that, as at the end of the 1979/81 recession, the recovery will be of greater significance to high-yielding smaller companies in particular than to UK companies generally.

Furthermore, the relative valuation of high-yielding smaller companies, as measured by the degree to which their yields exceed the All-Share Index yield, is close to its low point over the last 14 years. The average yield of 9.0 per cent. at 31st March, 1992 (the latest practicable date for which figures are available) represents a premium of 77 per cent. to the All-Share Index yield compared with a high of 79 per cent. in 1981 and a low of 47 per cent. in 1985.

Analysis of the 1979/81 recession and of stockmarket returns thereafter indicates that investing in high-yielding smaller companies in 1981 provided an excellent return in the subsequent period of economic

1992 appears to be similar to 1981 in the business cycle and to be a favourable time to invest in high-yielding smaller companies, whose earnings should recover as the UK economy begins to grow again.

Throughout this section, the source of statistics concerning the All-Share Index, the UK Index of Industrial Production and the HGSC Index is Datastream; that of statistics concerning high-yielding smaller companies is CIM, based on data published in the Risk Measurement Service of the London Business School.

### THE MANAGER

Clasgow Investment Managers Limited was formed in 1986 by David Williams, now managing director, who was previously the deputy chick executive of Murray Johnstone Limited. GIM became managers of Shires Investment p.l.c. ("Shires") in June 1987 and launched Glasgow Income Trust plc ("GIT") in July 1988.

trust pic ("GIT") in July 1988.

GIM specialises in high-yielding investments and its personnel have considerable experience of investing in high-yielding equities and the securities of smaller companies. GIM has been responsible for innovation in the management of high-yielding portfolios. It devised the RPI-linked debenture issued by Shires in 1990, the first RPI-linked issue by a UK investment trust, and pioneered the writing by investment trusts of traded options against the assets in their portfolio to enhance the revenue return.

KIPY INFORMATION SHRESCOT is a new investment treat formed so powide its shareholders with a high level of income, together with future income and capital growth, from a portfolio of equity and equity-related investments.

SHIRESCOT will have the objective of socuring for its sharchinders a gnosa yield on net assets at least 50 per cent, greater than the All-Share Index yield together with an overall investment return greater than that of the All-Share Index, SHIRESCOT will aim to increase dividends faster than the rate of inflation.

murmum anisonal yield of LSI per cent. of the All-Share Index yield. SILIRESCOT will be managed by Glaspow Investment Managers Lumbed. GIM manages some CI to criticon of assets, primarily through its two lished investment trusts, Shires Investment p.L. and Glasgow Induser Trust pir. The copinal of the Company will comprise Ordinary Shares and Warrants only. Each Warrant will carry the right to subscribe for one Ordinary Share at a price of 100p in each of the years 1994 to 2000, both inclusive. The Warrants will be allocated in subscribers of Ordinary Shares in the ratio of 1 for 5 and, after 1st October, 1992, will be separately listed.

it is intended that the Ordinary Shares will qualify for inclusion in general PBPs up to an annual maximum of £0,000 per individual £(12,000 for married couples). Moreover, provided they are renounced into PEPs within 42 days of allotright, the Warrants attached to the Ordinary Shares may also

be included in PEPs.		
ISSUE STA	TISTICS	
	Minimum	Manage
Number of Ordinary Shares in issue following the Offer and the Shires Subscription	11,250,000	25,000,000
Number of Warrants in issue following the Offer and the Shires Subscription  Offer Price	2,250,600 100p	5,000,000 100p
Estimated proceeds after expenses	£10,736,000	£23.936,000
value per Ordinary Share	95.4p	95.7p
appregate net dividends per Ordinary Share payable in respect of the periods to 31st December, 1983	7.18p	7.18p
Estimated minimum annualised gross dividend yield at the Otter Price	2.0%	7.0%
These figures are based on the Director relevant periods.	s' estimate of net reve	nee during the

GIM manages some £110 million of assets. As at 17th July, 1992 (the latest practicable date before the publication of this document) the shares of Shires and GIT traded at premiums (as reported in the Financial Times) to their net asset value of 3.2 and 10.8 per cent. respectively. GIM is a member of Investment Management Regulatory Organisation Limited (IMRO).

### MANAGEMENT STRATEGY

MATAGEMENT STRATEGY
All stocks, both equities and convertibles, selected for inclusion in SHIRESCOT's portfolio will be screened using techniques of equity value analysis developed and refined by GIM. The total population of stocks under review is assessed for:—

b the calibre of the underlying corporate operation, taking into account management, market, product and financial factors; and

the real sustainable earnings growth which the company may reasonably expect to achieve, taking into account historical experience, current trading conditions and future plans.

The ratings thus established are then correlated with the ratings of other comparties in the representative population in order to establish whether a particular company's stock is over valued or under valued.

These techniques of equity value analysis highlight companies with strong managements, strong finances, low ratings and above average yields. managements, strong thrances, low ritings and above average yields. In 1990 Shires took a decision to develop a portfolio of shares in listed high-yielding smaller companies. This portfolio now comprises some twenty stocks selected on the basis of GIM's screening process. In the period from 31st March, 1990 to 31st March, 1992 the portfolio showed a total return of 13.5 per cent.; by contrast, the HGSC Index showed a total return of -2.5 per cent. In the same period. Shires intends to invest in SHIRESCOT by transferring to the Company its smaller company portfolio in exchange for Ordinary Shares (with Warrants attached) of equivalent value as more fully described in the section headed "The Shires Subscription" below.

Substantially all of SIURESCOT's income after expenses and taxation, for each financial year, will be distributed in the form of dividends on the Ordenary Shares. Dividends will be paid quarterly after the first dividend, which is expected to be paid in March 1903. in March 1993.
It is intended that the gross yield on investment in SLURESCOT will be at least 7.0 per cent. per snmum in respect of the periods to 31st December, 1993.

DIRECTORS OF THE COMPANY The board of SHIRESCOT, who will be responsible for overall investment policy, will for the time being comprise four Directors as follows:— Michael S Hardie CA (Chairman), who is aged 65 and has been chairman of Shires

surce june 1987. He is a consultant to the investment committee of Willis Corroon ple and was formerly investment disease of Friends' Provident Life Office. He is a non-oscutive director of CIM. Christopher J F Amander, who is eged 59 and is a non-assessive director of Capital Trust Limited and Record Fund Management Limited. He was formerly a director of Barcloys de Zoete Wedd Limited and worked for some years in the Middle East where he continues to be a consultant to a nuraber of companies.

Bernard V Herderson CBE, who is agod 64 and is chairman of Anglian Water pic and a director of the Water Rasearch Centre. He was formerly managing director of the PC Henderson Group and a director of the Overhead Door Corporation (now the Dallas Group) in the United States.

John Stubbs, who is aged 48 and has been a director of Shires since 1986. He is a deputy director of PonTel Investment Management Limited, where he is responsible for the management of their UK equity and international index matching portfolios.

CONSULTANT . Mr A John R Izat has agreed to act as a consultant to the Company. Mr Izat, who is aged 59, has been a director of Shires since 1988. He was a partner of Williams de Brot-Hill Chaplin & Co., Stockbrokens, from 1955 to 1975 and is a director of United Auction (Scotland) Limited and a number of other companies. He is a non-enecutive director of GIM.

STRUCTURE

The capital of the Company will comprise Ordinary Shares and Wersants. The Warrants will be allocated to subscribers of the Ordinary Shares in the ratio of one for five and, after 1st October, 1992, will be separately listed.

The Directors believe that a straightfurward, unieveraged capital structure consisting only of Ordinary Shares will be in the best interests of the Company's investors. The Ordinary Shares will as a result carry all rights to dividends and future growth of income and capital.

DURATION The shareholders of SHIRESCOT-will be given the opportunity to consider the fut of the Company at regular intervals, in terms of the Asticles of Association of Company, as ordinary assolution will be proposed at the clighth annual gen meeting of the Company (and at every fifth subsequent annual general succession) to effect that the Company should continue as an investment trust.

DETAILS OF THE OFFER

The Company is now officing for subscription up to 20,000,000 Ordinary States (with Warmants attached on the basis of one Warmant for every five Ordinary Shares) at 100pper share, payable in full on application. The Directors will not allot any Ordinary Shares and Warmants urless valid applications are necessed by 2.00 p.m. on 20th August, 1992 in respect of at least 6,250,000 Ordinary Shares (with Warmants attached). Subject to such minimum being reached, a further 5,000,000 Ordinary Shares (with Warmants attached) will be allotted to Shires pursuant to the Shires Subscription (see below). The Office together with the Shires Subscription will some Cit.7 million and C23.9 million, not of expenses.

Application has been made to the London Stock Exchange for the Ordinary Shares (with Warrants attached) issued and to be issued pursuant to the Offer and the Shires Subscription to be admitted to the Official List. The Ordinary Shares will read for all dividends and other distributions bereefter declared, made or paid on the ordinary share capital of the Company. Firm undertakings to apply in the Offier for a minimum of 4,701,400 Ordinary Shares (with Warrants attached) have been received from certain institutional investors and brokers, all of which applications will, subject to the minimum subscription being reached, be accepted in (ull.

reached, he accepted in tull.

In addition, a further 1,548,600 of the Ordinary Shanes (with Warments attached) being offered for subscription in the Offer have been underwritten by institutions, including Shires as to 548,600 of such shares.

As a result of the Shires Subscription and (dependent on the level of applications received in the Offer) as a result of the aforementioned underwriting, Shires may, in certain circumstances, hold beneficially Ordinary Shares carrying, 30 per cent. or more (though in no circumstances 50 per cent. or more) of the voting rights of SHIRESCOT.

Warrants will be issued with the Ordinary Shares in the ratio of one for every five Ordinary Shares. The Ordinary Shares (with Warrants attached) will initially trade as a unit. It is expected that dealings in such units will commence on 28th August, 1992 and that separate dealings in the Ordinary Shares and Warrants will commence on 22th October, 1992. THE WARRANTS

Application will be made for Ordinary Shares issued upon the exercise of Warrants to be admitted to the Official List of the London Stock Exchange. Such shares will not make for dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the relevant subscription date but, subject thereto, will rank in full for all dividends and other distributions declared, made or paid after the relevant subscription date but, subject thereto, will rank in full for all dividends and otherwise pur passe in all respects with the Ordinary Shares in issue on the relevant subscription date.

### THE SHIRES SUBSCRIPTION

SHIRESCOT has agreed to purchase from Shires the portfolio of listed smaller company investments referred to under the heading, "Management strategy" above up to a value of £3,000,000, based on the mid-market price of such investments as securin The Daily Official List of the London Stock Exchange on the day immediately preceding the date on which all the Ordinary Shares (with Warrants attached) issued under the Office are admitted to the Official List ("Admission"). Shires has agreed to subscribe at the same time for 5,000,000 Ordinary Shares (with Warrants attached) at the Office Price.

THE GLEN OFFER

The Company untends, prior to 20th August, 1992 and subject to obtaining approval of the structure of the transaction from all retevant regulatory and fiscal authorities, to make an offer to acquire all of the outstanding units in The Gilen Portfolio on the basis of 5 Ordinary Shares (with a Warmant attached) for every 500p of value attributable to units in Glen at the bid price for such units on 20th August, 1992.

Gien is an other of the true price for such times on ann Anguet. 1972.

Gien is an authorised unit trust which was established on 28th January, 879 and is managed by Orunamond Purid Management Limited, a subsidiary of Gill. The investment objective of Gien is to provide its uniteddees with prowth in both capital and moone. Its unvestments are primarily latted UK equities and equity-reduced securities. It is anticipated that, at the date upon which the Gien Offer is made, the substitution majority of Gien's investments will need SHRESCOT's investment criteria. Upon the Gien Offer becoming unconditional in all respects, SHRESCOT

would procure the distribution to it, pro right to its holding of units in Glen, of Glen's inderlying investments, which would then be managed in accordance with SI IRESCOT's revestment policy.

Full acceptance of the Glen Offier based on the bid price on 17th July, 1992 (the latest practicable date before the printing of this document) of 35 fcp for each distribution unit and 79,22p for each accumulation unit (genering fractions) would involve the issue of 1,875,600 Ordinary Shares (with Warrants attached), representing approximately 14.0 per cent, of the enlarged issued ordinary share copilal of the Company (assuming the minimum issue of 11,250,000 Ordinary Shares (with Warrants attached), under the Offer and the Shires subscription).

The Ordinary Shares (with Warrants offached) which may fall to be issued pursuant to the Glen Offier would be issued credited as fully paid and would rank pair passe in all respects with existing Ordinary Shares (with Warrants attached) in the capital of the Company.

PERSONAL EQUITY PLANS

The Directors intend that StiffRESCOT should be managed so that the Ordinary Shares will be general PEP qualitying investments throughout the Company's life. At prevent, PEP legislation allows a qualifying individual to invest up to 66,000 each tax year in a general PEP and a husband and write may each invest up to 60,000. The value of this relatively depend on the circumstances of the investor, and PEPs will be subject to any relevant changes in the law.

Individuals who apply on a public application form for and are allotted Ordinary Shares (with Warcarts attached) under the Ofter may renounce all or part of their allotment into FE's offered by plan managers up to the limit of £6.001 worth of Ordinary Shares (with Warrarts attached), provided they have not already taken out a general PEP in the Coment to, year.

Applicants intending to transfer their allutments of Ordinary Shares (with Warrants attached) into a PEP should obtain a PEP application form from their plan manager and comply with that manager's instructions in relation to the form. If you intend to manager any allotment of Ordinary Shares (with Warrants attached) into a PEP you should not, however, make a joint application, since joint applications cannot be remainded or transferred into a PEP.

renounced or transferred into a PEP.

If this action is not taken at the initial offer stage and investors later decide to transfer their allotments into a PEP they have 42 days from and including the date of allotment of shares under the Offer (especied to be 21st August, 1992) to effect transfer. In the case of application for a new PEP, this means that, where a 7 day cooling off period is required, such transfer, together with the PEP application, must be received by the relevant plan manager before the close of tousiness on 23rd September, 1992 at this latest. Transfers of Ordinary Shares (with Warrants attached) into existing PEPs may be made up until 1st October, 1992. Warrants is may be held by a PEP following chammenorment of separate dealings in the Ordinary Shares and Warrants, but only if they have been transferred in remonned into the PEP by 1st October, 1992.

Discretionary PEP managers may also apply direct for Ordinary Shares (with Warrants altached) under the Offer: Warrants ansing from such applications may be relained within a PEP (provided that the rules of the relevant PEP so allow) after commencement of separate dealings in the Ordinary Shares and Warrants. This information is based on the law currently in force and on the inland Revenue's intermetation of it.

Potential Investors in the Ordanary Shares and Warrants should be aware that the value of these securities and the mounts from the Ordinary Shares can fluctuate. In addition to this, it should be remembered that, while warrants have the potential for higher capital appreciation in purcentage forms than shares, their market price is fiable to ensiste volatifier.

to greater volatility.

The market price of the Ordinary Shares may not necessarily reflect the underlying fully diffused not asset value of the Company from time to time.

The relatively small market capitalisation of smaller companies could make the market for their shares less figured and, as a consequence, their share prices more volatile.

TEILMS AND CONDITIONS OF APPLICATION TEIMS AND CONDITIONS OF AFFUCATION

1. The contract created by the acceptance of applications in the manner herein set out will be conditional upon the sponsorship agreement referred to in paragraph 10(a) of Port IV of the Listing Particulars becoming unconditional and not being terminated in acceptance with its terms. If any application is not accepted, or if any outliest created by acceptance does not become unconditional, or if any application is accepted for fewer Ordinary Shanes (with Warrants attached) than the number application for, the application moneys or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime application maneys will be retained by Bank of Scotland in a separate account.

2. The Company ruserves the right to present all chaques and bardor's drafts for payment on recepts, to retain Romoniceable Letters of Allowment and surplus application moneys pending clearance of the successful applicants' cheques and to reject any application in whole or in part.

3. By completing and delivering an Application Form you (as the applicantis):—

3. By completing and delivering an Application Form you (as the applicant(s)):-By completing and delivering an Application Form you (as the applicantist):—
(a) offer to purchase the number of Ordinary Shares (with Warranes attached) specified in your Application Form (or any smaller number for which the application is accepted) at 10th per Ordinary Share (with Warranes attached) subject to the Listing Particulars, these terms and conditions and the Memorandum and Articles of Association of the Company;

authorise Bank of Souland to send a fully paid Renounceable Letter of Allotment for the number of Ordinary Shares (with Warrants attached) for which your application is accepted and/or a crossed chequis for any moneys returnable, by post to your address (or that of the first-named applicant) as set out in your Application Form and to procure that your name (logether with the name(s) of any your applicant(s)) is/are placed on the negister of members of the Company in respect of such Ordinary Shares (with Warnants attached) the entitlement to which has not been effectively prepurposed.

(c) agreed that your application may not be revoked until after 31st August, 1992 and that this paragraph constitutes a contract between you and the Company which will become binding upon despatch by pust or delivery of your Application Form duly completed to Bank of Scotland;

warrant that your remittance will be honoured on first presentation; agree that any Remumocable Letter of Allatment and any money returnable to you may be retained pending clearance of your remittance; gree that all applications, acceptances of applications and contracts estalling therefrom will be governed by, and construed in accordance with, costs law and that you submit to the jurisdiction of the Scotistic Courts,

urant that, if you sign the Application Form on behalf of another party, on behalf of a corporation, you have due authority so to du; confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in the Listing Particulars and you accordingly agree that no person responsible sulely or jointly for the Listing Particulars or any part thereof will have any liability for any such other information or

 confirm that you have reviewed the restrictions contained in paragraph 5 below and warrant as provided therein. 4. No person receiving a copy of the Listing Particulars or the Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to hint, nor should be in one event use such Application Form unless, in the relevant sertitory, such an invitation in other could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application hereunder to satisfy himself as to tult observance of the laws of any

poid in such territory

5. The Ordinary Shanes and Warrants have not been and will not be registered under the US Securities Act of 1933 "the Securities Act.") The Ordinary Shares and Warrants may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States are of US Persons. Presons subscribing for Ordinary Shares and Warrants as part of the distribution thereof (including renounces) submitting Renounceable Letters of Allotment for registration) shall be deemed, and persons subscribing for Ordinary Shares in connection with the exercise of Warrants shall be required, so represent and warrant to the Company that they are not US Persons shall be required, so represent and warrant to the Company that they are not US Persons shall be required, so represent and warrant to the Company that they are not US Persons and that they are not subscribing for such Ordinary Shares or Warrants for the account of any US Persons, and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares or Warrants in the United States or to US Persons As used herein, "United States" means the United States of America (including each of the States and the District of Columbial, its territories or pussessions, or other areas subject to its jurisdiction and "US Persons" means any person who is a citizen or resident of the United States or any political sub-division thereof and an estate or trust which is subject to United States federal income transform regardless of the source of its income.

6. Acceptance of applications will be effected by notification of the bases of allucation to the lates.

Acceptance of applications will be effected by nonfication of the basis of allocation the London Stock Exchange as soon as possible after the application list closes. All documents and cheques sent by post will be at the risk of the person(s) entitled enterts.

shereto.

8. Subject to receipt of valid applications pursuant to the Ulter in respect of at least 6,750,000 Orderary Shares (with Warrants attached), the Company will allot to those persons who have given tim undertakings to apply for a minimum of 4,701,400 Ordinary Shares (with Warrants attached) in the Office the number of Ordinary shares (with Warrants attached) to which their undertakings relate so as to sabsly their applications in full. Subject to the foregoing, the basis of allocation will be decided by the Company in consultation with Williams of Broe (applications being scaled down on a pro-intal basis in the event that the Offer is oversubscribed) but, without affecting its discretion, the Company will endeavour where possible to satisfy applications in full.

Save where the context requires otherwise, terms defined in the Listing Particulars bear the same meaning when used in this paragraph headed "Terms and conditions of applications".

SELLING COMMISSIONS

Authorised financial intermediaries who return valid Application Forms bearing their stamp and SIB number will be paid 3 per cent, commission. Financial intermediaries should keep a record of all Application Forms submitted bearing their stamp to substantiate any claim for selling commission. Bank of Scotland, New Isanes, will collate the Application Forms bearing the financial intermediaries stamps and calculate the selling commission payable, which will be paid by the enc of Automat 1992.

Completed Application Forms, accompanied by a cheque or banker's draft for the appropriate amount, should either be sont by post or delivered by hand to Bank to Scotland, New Issues, Apex House, 9 Haddingston [1acc, Estimbugh Ell FALL or, by hand only, be delivered to Bank to Scotland, New Issues, 3rd Floor, Broad Street Floores, 55 Old Broad Street, London EC21' 21th, in both cases so as to arrive not later than 2.00 p.m. on 20th August, 1992

Copies of the Listing Particulars and Application Forms are available for collection only, for two business days following the date of publication of this document from the Company Announcements Office, the London Stock Euchange, Old Bruad Street London 6C2 and, until the Office losses, from the following:—

Bank of Scotlant New Issue Apex House 9 Haddington Mac Edinburgh EH7 4A1 Glasgow Investmen Managers Limited 29 St. Vincent Place Glasgow G1 2DR Broadgate andon EC2M 2RP

Williams de Brué Pic es a number of the Securities and Futures Authority Limited

PROCEDURE FOR APPLICATION Put in Box 1 your full name and address (please use BLOCK CAPITALS).
 Pat in Box 2 (in figures) the number of Ordinary Shares for which you wish to apply, which must be a minimum of 500. Applications for more than 500 Ordinary Shares must be made in multiples of 500 il.e. 1,500, 2,000, 2,500 etc.). You will receive one Warrant (without further payment) for every five Ordinary Shares subscribed.

Put in Box 3 the amount you are paying for the number of Ordinary Shares shown in Box 2.

4. Sign and date the Application Form in Box 4. Attach your cheque to Box 5 with a pin. It should be for the exact amount you have put in Box 3.

No receipt will be issued. You should pay by personal chaque drawn on your bank or building society account or by a draft drawn on a UK clearing bank. In each case your choque must be drawn in sterling and bear a UK bank sort code number in the top right hand currier. It should be payable to "Bank of Scotland Arc SHIRESCOT Offer" and crossed "Account Payee — Not Negotiable".

You may apply to hold the Ordinary Shares which you enter in Box 2 juintly with up to three other persons aged 18 or over. As joint applicants, they should complete and sign in Box 6.

(i) In the case of joint applications, documents of title, return chaques and other correspondence will be sent to the first-named applicant on the basis of the registration detents provided. It you intend to transfer any alliotinent of Ordinary Shares (with Warrants attached) into a PEP you should not make a joint application, since joint applications cannot be

remounced or insustented into a PEP.

(iii) The Application Form may be completed by any agent on the same base as a principal applying for Ordinary Shares (iii) The Application Form should be signed on behalf of a corporation by an authorised officer. stocopies of Application Forms will not be accepted.

If you require any help in completing the Application Form please selephone the SHIRESCOT helpling, Tel. 071-374, 2022

### SHIRES HIGH-YIELDING SMALLER COMPANIES TRUST PLC SHIRESCOT

APPLICATION FORM

Applications and cheques must be received by 2.00 p.m. on 20th August, 1992. Before completing this Application Form, you should read the sections entitled "Terms and conditions of application" and "Procedure for Please send the completed form (i) by post, to Bank of Scotland, New Issues, Apex House, 9 Haddington Place, Edinburgh EH7 4AL or (ii) by hand to Bank of Scotland at that address or at New Issues, 3rd Floor, Broad Street House, 55 Old Broad Street,

REGISTRATION DETAILS		BLOCK CAPITALS PLEAS
Title: Mr/Mrs/Miss/Ms/Other	Full Forename(s)	
Surname		
Permanent Address		
W		Postcode

I/We offer to subscribe for Ordinary Shares (with Warrants attached) in Shires High-Yielding Smaller Companies Trust plc at a price of 100p per share on the terms and conditions of application set out in the Listing Particulars dated 22nd July. 1992.

I/We enclose a cheque or banker's draft drawn on itself by a UK clearing bank made payable to "Bank of Scotland A/c SHIRESCOT Offer" and crossed "Account Payee — Not Negotiable" for E

5 [		Pin your cheque or banker's draft here.								
6 F	_	For joint applications please complete the following:								
H	Title	Full Forename(s)	Surname	Signature						
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Authorised Person's Stamp	For office use only						
	Application No.	Shares allotted	Amount received E	Amount payable			
SIR No.	Amount returned	Cheque No.	Commission £	Cheque No.			

Date

1992

Signature

SIB No.

# COMMODITIES AND AGRICULTURE

# Platinum falls in hectic trading

By Kenneth Gooding, Mining Correspondent

PLATINUM'S PRICE fell sharply in hectic trading in London and New York yesterday following an announcement that another automotive catalyst using palladium instead of platinum had been developed in Japan.

In spite of assertions by the industry that the Japanese development would have little, if any impact, on the platinum market, it sparked two waves of selling - initially among professionals as the news broke and later by US funds before trading began in New

Platinum closed in London at \$380.85 a troy ounce, down

Dealers suggested that the Japanese development was simply used as an excuse to sell by investors who had recently bought platinum because of growing political tension and violence in South Africa, the world's biggest producer and responsible for more than 65 per cent of supply.

However, chances of a serious interruption to platinum production seem to be drifting away. For example, a draft peace charter was drawn up in South Africa last week by

which might be ratified soon. The accord could head off the general strike planned for August 3 and limit it to one

Why European and New York markets did not react to this development on Monday is not clear.

However, yesterday the Japa-

nese National Institute for Resources and Environment (NIRE) brought attention back to platinum briefly by announcing it would give details of its new automotive catalyst next week. Automotive catalysts provide platinum's biggest market but Mr Brian Nathan, managing director of Ayrton Metals, pointed out that NIRE referred only to diesel catalysts which already are based on palladium, a cheaper material. rather than platinum or rho-

He also pointed out that NIRE had given no indication when the new catalyst, based on magnesium-alumate and paliadium, would be available

Some analysts suggested last night that, as political tension eases in South Africa, the platinum price could ease back to \$370 an ounce or even to \$360 where it stood before its recent

# Guttman prepares to defend futures charges

By Barbara Durr in Chicago

MR LOU Guttman, chairman of the New York Mercantile Exchange, the world's largest energy market, has been forced to take a leave of absence from his duties, effective July 31, because of possible civil charges against him from the Commodity Futures Trading Commission, the US futures industry regulator. Earlier this month, the

CFTC's enforcement division served notice on Mr Guttman that it was preparing to ask the commission to file an administrative complaint against him and a former partner, Mr Harold Magid, because of a series of allegedly pre-arranged trades in 1989. With that notification, the CFTC invited a response from Messrs Guttman and Magid, and once they have replied the commission will vote on whether to bring charges. The upposedly prearranged trades which were executed by Mr Magid for the Guttman-Magid trading partnership called Harley Futures, did not involve customer monies and therefore

The joint venture was liqui-

In a letter to the board of Nymex, Mr Guttman emphatically denied that he was responsible for any wrong-

Mr Barry Bohrer, Mr Guttman's lawyer, says that Mr Guttman will respond to the CFTC by the end of the month arguing that the Nymex chief should not be held responsible for the allegedly illegal trades because he had nothing to do

Mr Guttman has been Nymex chairman since 1988 and was not actively engaged in his trading partnership. He decided on taking a leave of his day-to-day duties as Nymex chairman in order not to have a cloud over the exchange. The futures industry has frequently been rocked by trading scandals and Mr Guttman appears to want to leave Nymex as untarnished as possible.

in 1990. Mr Karsten Mahlmann, then chairman of the Chicago Board of Trade, was forced to resign from his post because his trading firm. Stotler & Company, was charged with fraud.

# Russia in call for oil investment lifeline

By Nell Buckley

RUSSIAN oil production could fall by 15 per cent both this year and in 1993 without foreign investment, an aide to Mr Yegor Gaidar, acting Russian prime minister, said yester-

Mr Sergei Roginko, an adviser on foreign investment projects in Mr Galdar's secre-tariat, was in London to promote OGE '92, the first international oil industry trade fair in the autonomous republic of Tatarstan in October.

The exhibition is jointly backed by the Russian energy ministry and the Tatarstan government to highlight investment opportunities for foreign companies, despite Tatarstan's vote for self-rule in March, and a dispute between the two governments over shares of oil revenues.

"We are trying to stress our common interests." Mr Roginko sald. He added that at least 5m tonnes of oil had been sold illegally in the past year by "speculators" who were "bleeding Russia dry" by buy-ing oil cheaply for roubles and selling it for hard currency on the world market.

He pledged, however, that "serious" foreign investors prepared to make a long-term commitment could be exempted from the punitive Ecus28 a tonne (roughly \$5 a barrel) export tariff the Russian government had been forced to implement to combat illegal exports.

Gulf Canada and Conoco had both recently secured exemp tions from export tariffs, Mr Roginko said, and the White Nights project, operated by US companies Phibro Energy and Anglo Suisse with Siberian producer Varyeganneftegaz, was also negotiating possible exemption. The pledge will be welcomed by western compa-nies, for which the export tariff has been a major disincentive for investment.

Raising Russian oil prices to world market levels could solve the problem of fraudulent exports, but the Russian government had concluded this could only be done gradually, otherwise it would "turn our economy upside down and aggravate inflation. Mr Roginko said. He predicted the process would take "a couple of years". Mr Roginko said investment

halt the decline in output. He said western technolo could significantly extend the life of some fields and re-open many of the 15 per cent of wells now standing idle.

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Com

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# Metals upsurge showing signs of tarnish

Kenneth Gooding on why there are fears of another false dawn among LME traders

PRICES ON the London Metal Exchange have been rising strongly in recent weeks, turnover is high and some traders have dusted off the vintage champagne bottles to celebrate. The casual observer might well mistakenly assume that the LME's unbeat mood is signalling that a full-blown world economic recovery is on the way. After all, LME traded metals

- aluminium, copper, lead, nickel, tin and zinc - are essential to the industrialised world and are used for a wide variety of products. But the LME is giving

distorted signals. One reason for the present buoyancy is that US-based commodity funds have piled in with big "buy" orders. These funds have been excessively influenced by the tentative economic revival in the US, sug-gests Mr Neil Buxton, research manager at Metal Bulletin

He says: "They see investment in metals as a good way to play that economic recovery. Metals prices have been falling since 1988-89 and other financial markets are not offering such good returns as in the tasq That is not to suggest the

funds are entirely wrong. Most analysts believe that metals prices will finish this year at a higher level than they started it. "That's not saying much," Mr Buxton points out, "because they started at such a

time before the overpowering economic gloom lifts suffi-ciently to justify a strong rise in metals prices. As Mr David Humphries, an

However, it will take some

economist at the RTZ Corporation, the world's biggest mindemand in Japan, which

(US cents a lb) % change Average for since Jan 1 Tel Itel 1992 on 1991 ave. + 123 100.5 -2.2338 +39 + 16.4 61.7

LME Mytel Price Changes

accounts for about 18 per cent of world usage, will fall this year. Prospects in the European Community, accounting for 30 per cent, are looking dim because Germany, the driving force, is "coming off the boil". Only in the US. accounting for 25 per cent of world metals usage, is demand showing tentative signs of

Mr Graham Deller, analyst at the Metals and Minerals arch Services consultancy group, points out that OECD industrial production - an important indicator of potential metals demand - was lower in the first quarter this year than in the final quarter of 1991 and was unchanged in the 1992 second quarter. MMRS is looking for industrial production to improve by only 0.5 per cent this year

"As industrial production usually leads metals prices by about six months, even if there is a pick-up in the second half of this year, we would not see any big pick-up in metals prices until late 1993 or even 994," Mr Deller says.

What do the statistics tell us about metals markets in the first half of this year? The sharp price rises in June saw all the LME traded metals finish the month higher than they were in January (see table). However, average prices of

nickel over the six months

were all below their 1991 level. Tin's average price was up, braced by severe producer cuts that will leave the market substantially under-supplied this

The average zinc price was sharply up (by nearly 9 per cent) but this was caused by traders playing games and using options to cause a nasty technical squeeze in the LME's market for the second time in only six months.

The LME executive even-

tually had to step in on June 15 to limit the daily backwardation (the pre-mium charged for metal for immediate delivery). This eased the situation but the LME is having to continue monitoring zinc because it seems very likely that the squeeze will re-emerge strongly in October.

Analysts suggest the same group of traders and producers who squeezed the zinc market in June have rolled their positions over to October. "They like this market and have no intention of selling. They are probably going to go longer," said one trader. "They have a million tonnes [a year] of production between them."

Copper, which recently touched its highest price in 18 months, is also being buoyed up by the threat of another LME squeeze in the fourth quarter of this year and early Sumitomo of Japan, which caused an options-related squeeze last year and forced the LME executive to intervene in the copper market, is moving in the same direction

However, copper, the LME's "flagship" contract and the most heavily-traded, is also benefiting from the usual supply disruptions at a time when mand is holding up reasonably well. Most analysts say copper supply and demand are more or less in balance.

While there has been some drop in demand from Japan because of that country's slowing growth, the Chinese have re-emerged as substantial cop-per buyers this year. Mr Ted Arnold, metals specialist at Merrill Lynch, points out that the Chinese might buy 200,000 tonnes of copper in 1992, which would take up all the slack from Japan". Other metals are also likely

to feel the impact of China's recent dramatic economic growth - its industrial production was up by an estimated 18 per cent in the first half of this year. "The potential for increased base metal demand from China is huge - and it will be tempered only by the availability of foreign exchange and the country's existing infrastructure," says Mr Euan Worthington, head of the mining team at S.G. Warburg, the financial services

Meanwhile, disturbances caused in metals markets by the collapse of the Soviet Union are by no means at an

"Although total exports from the former communist countries could be slightly down from the 1991 levels because of depressed prices, coupled with shortages of raw materials and

1993. Traders suggest that closures because of environmental concerns, exports are still likely to be high by historical standards. They will therefore continue to act as a depressive influence on prices," says Mr Robin Bhar, consultant to Carr Kitcat & Aitken, part of the Banque

Indosuez Group. Aluminium and nickel will be hit particularly badly because exports of these from the Commonwealth of Independent States and the former eastern Europe have a bigger impact on western supply-demand balances than other metal exports.

On the positive side of the metals equation, Mr Nick Moore, analyst at Ord Minnett, part of the Westpac banking group, points out that stock levels remain relatively low. at less than 10 weeks of consumption compared with 15 to 20 weeks at the end of past recessions. The exception is aluminium, because of the Russian exports. But all metal stocks are likely to shrink quickly when demand picks up, he suggests - and prices go up as stocks go down.

LME traders meanwhile hope that the recent upsurge in business is not another false dawn. One said: "We've been staggering along for 18 months on wafer-thin margins and low prices. Now business has at least doubled. But will it

Mr Angus MacMillan. research manager at Billiton Enthoven Metals, part of the Royal Dutch/Shell group, is hopeful. He says: "On the LME genuine trade business from producers and consumers has risen. Brokers have increased their position-taking and there has been growing speculative interest from managed funds. There is a feeling that the metals cycle is on the turn.

# India seeks rise in leather exports

By Kunal Bose in Calcutta

INDIA IS aiming for a 13.5 per cent growth in leather and leather products exports to \$1.48bn in 1992-93 (April to March). According to the Council for

Leather Exports, India is capable of achieving this growth in spite of the continuing recession in European Community, the destination for more than 60 per cent of its leather exports, and the economic constraints on Russian buyers. Last year, however, India's leather exports declined by 8 per cent in dollar terms.

Having already banned overseas sales of semi-finished leather. India will seek to raise further the share of value

WORLD COMMODITIES PRICES

an, 99.7% purity (5 per tonne

Close

Cash 1318-9 3 months 1342-3

Copper, Grade A (£

Cesh 1335-6 3 months 1357-8

Leed (2 per tonne)

Gash 333.5-4.5 3 months 345-5.5

-added leather products in its export total by 3 per cent to 77 per cent in the current year. The export target for leather

garments is \$370m, for shoe uppers \$320m, for footwear 240m, for other leather goods \$255m and for finished leather \$295m. The country plans gradually to phase out the export of finished leather. The council has urged the

Russia immediately a technical credit of \$40m to enable it to pay for last year's imports of shoe uppers and garments and also open letters of credit for fresh imports. A large number of Indian exporters to Russia have closed shop because they have not been paid for earlier

1317.5/1317.6 1317-7.5 1344/1336 1341-1.5

While Germany will remain by far the largest importer of Indian leather, the council points out that the US, the UK, Italy, France, Spain and Australia are also important buy-

have improved following the steps taken by Indian manufac-turers to control the incidence of carcinogenic substances in India has the largest bovine

population in the world, estimated at 250m. This gives an potential of leather. But the country has still not been able to organise scientifically the collection of carcasses and the preparation and preservation of the hides.

(Prices supplied by Amstgamated Metal Trading)

AM Official Kerb close Open Inter

## MINOR METALS PRICES

Chicago

Prices from Metal Bulletin (last week's in brackets). ANTIMONY: European free

market 99.6 per cent, \$ per tonne, in warehouse, 1,715-1,745 BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse.

2.30-2.60 (same);

CRUDE Of (Light) 42,000 US gails 5/berrel

CADMIUM: European free market; min. 99.5 per cent, \$ per lb, in warehouse, 0.75-0.95

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 22.00-23.50 (22.50-

MERCURY: European free market, min. 99.99 per cent. \$ per 76 lb flask, in warehouse, MOLYBDENUM: European

free market, drummed molyb-

dic oxide. S per lb Mo, in warehouse, 2.35-2.40 (2.35-2.45), SELENIUM: European free market, min 99.5 per cent, \$ per lb. in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO<sub>3</sub>, cif, 53-62 (same).
VANADIUM: European free

market, min. 98 per cent, \$ a lb V<sub>2</sub>O<sub>5</sub>, cif. 2.00-2.15 (2.00-2.10). URANIUM: Nuexco exchange value, \$ per lb, U3Os, 7.75

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ed _	- 176	lo 145,150
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### MARKET REPORT

do not entail charges of fraud.

LONDON Metal Exchange contracts generally rallied yesterday afternoon after values had been hit in early trading by a wave of liquidation. Most base metals closed with losses still showing, but the rally continued in after-hours "kerb" trading. This took LEAD, which closed £4 down for cash at £334 a tonne, near to a fresh 12-month high as the market was supported by trade buying and reports of Chinese offtake. ZINC resisted the early downtrend and support held at around \$1,320 a tonne for three months metal, although it was unsettled by Monday's LME announcement that the market

### London Markets

Crude oil (per barrel FOB)		+ gr
Çubal	\$18 30-5.35	+ 0.75
Brent Blend (dated)	\$20 00-0 96	+0.10
Brant Bland (Sep)	\$31.15-20.20	
WTI (I pm est)	\$21 45-1 50y	+0.11
Oil products (NWE prompt delivery per h	onne CIF)	+ 01
Promium Gazaline	\$224-227	+3
Ges Oil	5102-054	-2
Heavy Fuel Oil	\$84-86	+ 0.5
Naphtha Petroleum Argus Estimales	£196-198	+2
Other	·	+ 01
	-	
Gold (per tray az)	\$357 85	-0.20
Sliver (per froy oz) \$6	396.00	-3.00
Platinum (per troy oz)	\$380.90	-9.85
Palladium (per troy oz)	\$88.75	-0.75
Copper (US Producer)	119 Sc	-0.15
Load (US Producer)	35.9c	1.5
Tin (Kuala Lumpur merket)	16 53r	F 0.15
Tin (New York)	313 Oc	-2.50
Zinc (US Prime Western)	12.0c	
Calfo (live weight)	110 75p	+ 1.7;
Shoep (five woight)f	78.74p	+ 2.34
Pigs (live weight)†	85.260	<b>-J.0</b> 1"
London daily sugar (raw)	\$272.8w	-5.4
London dally sugar (white)	\$299.0w	-60
Tate and Lyle export price		+ 1.0
Barley (English feed)	W00.0113	
Maize (US No. 3 yellow)	£150 B	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	\$1.25p	+0.50
Rubber (Sep)♥	51.25p	F0.50
	221 Or	
Coconut dil (Philippines)§	\$530 01	-10.0
Palm Oil (Malgyslan)§	\$380.0y	
Copra (Philippines)		-00
Soyabeans (US)	£138.50	+4.5
Cotton "A" Index		-0.20
Woollaps (649 Supar)	377p	
C a lonne unless otherwise c-cents/lb r-ringglt/kg: 5-y-Sop z-Aug. Meat Commitock pness: change from a physical. SCIF Rotterdam. close. m-Malaysian cents/kg now live weight prices SSC 394 0c	Sep/Oct W-J ission average week ago W # Sullion  #Sheep price	lui/Au ge lats Londo marko cas or

was again being "closely monitored" because of concern over a developing technical supply squeeze. The later rally carried the three months zinc price to \$1,344.50 at the close. down \$14 on the day, and to \$1,355 a tonne by the end of kerb trading. TIN rallied particularly strongly, as early short-covering prompted fresh buying, and ended with a substantial recovery from the recent decline.

The cash position closed \$170 higher at \$6,880 a tonne and made a further gain after hours. COCOA futures railled from early lows, raising hopes of consolidation after recent losses Compiled from Reuters

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SUCAR	~ Londe	m FQX	(\$ per to	ine!
Rsw	Close	Provious	High/Low	
Aug	243.20	243.00	241.80	
Oct	223 60	225.40	225.20 222.40	
Dec	210.00	212.00	207.20 206.00	
Mar	209.60	•	310.01 209 30	_
White	Ciose	Previous	High/Low	
Oct	272.50	274.50	275 00 271.50	
Dec	270 00	27 1.50	271 00 269 20	
Mar	273.00	274.50 278.10	274.50 271.50 277.00 275.00	
Aug	276.50 281 50	280.60	283.00 280.00	
Oct	274.50	271.60	275 00 274 00	
Doc	274,50	270.30	274.00	
Turnever	Saw 40	6 (216) ioc	of 50 tonnes.	
			(FFr per lonne):	Det
	Dec 1368.			
CRUDE	OHL - IF		S/be	770
	[20m	Previo	■ High/Law	
No.	20.21		20 38 20.10	
Oct	20.10		20.36 20.16	
Nov	20.14		30.21 30.06	
Dec	20.08		五名 30.14	
Jan Feb	19.63 19.80	1 <i>9 8</i> 5 19 75	20.06 19.90	
Mar	19.75		13.30	
Apr	19.64	19.55	19.60	
May	19.55	19.45	18.50	
IPE Inde		20 37	20.11	
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OAS OR	17000 (1	20001	SAD	000
	Clase	Provious	High/Low	
				_
Aug	186.50	105.80	188.00 188.25	
Sep	188.00	187.00	189.75 188 00 191.86 190.25	
Oct Novi	120.50	189.00	193.25 192.50	
Dirici	192.50 194.00	192.50	195.00 193.25	
Jan	194.00	191.00	194.00 193.25	
yan Feb	189 00	187,00	199.00 189.00	
Mar	185 00	197,00 183.50	185.00 186.00	
Apr	182.00	101.50	183.25 182 00	
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v 1	OWS. F	eisina l	nopes of	Jul	770	761	749 745	
			ecent losses	_	781	776	782 762	
				How	787	779	787 759	
Ш	piled i	from Re	uters	Jen	800	794	700 702	
_				Mer	815	812	E15 798	
<u>ua</u>	~ Longh	en FOX	(\$ per tonn		830	630	518 B14	
	Close	Provious	High/Low	Jul .	845	•	ED4-ED4	
	243.20	243.00	241.80	วันทอง	r:2036 (2	959) lots of	5 lonnes	
	223 80 210.00	225.40 212.00	225.20 222.40 207.20 206.00	ICO inc	prospor by	lces (US c	ands per po	rung) 1
	209.60	212.00	210.01 205.50	48.67 (4		my 49 43 (5)	1.11} 15 day	AV COL
-	Close	Previous	High/Low		0.40)			
	272.50	274.50	275 00 271.50	POTAT	085 - L	audon POI	E.	£/ton
	270 00	27 1.50	271 00 269 20		Close	Previous	High/Low	_
	273.00	274.50	274.50 271.50					
	276.50 281 50	278.10 280.68	277.00 275.00 283.00 280.00	Apr	70.9	71 8	72.1 71 0	
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			e of 50 tonnes.	SOWAN	WAL - I	ondon FO	Y	C/lon
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	Dec 1368				Close	Previous	High/Low	
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	(3.03)		20.06		Com	Previous	High/Low	
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	19.75			Aug	1100	1095	1100 1005	
	19.64		19.60	Sec	1125	1136	1125	
	19.55		18.50	9F1	1060	1061	1960	
Ide			20,11	Turnava	r 54 (112	1		
	17000	13586		_		•		
QII	- IPE		S/tone					
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	186.50	105.80	188.00 186.25	Wheat	Close	Previous	High/Low	
	188.00	187.00	189.75 188 00	***				-6
	190 SZI	190 00	101 88 100 25	260	111 55	112 75	111 55 511	
	190.50 192.50	189.00	191.60 190.25 193.25 192.50	Sep Nov	111.55	112.25 115.00	111.55 111.	
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	192.50 194.00 192.50 189.00 186.00	191,00 192,50 191,00 187,00 183,50	193.25 192.50 195.00 193.25 194.00 192.50 189.00 189.00 185.00 186.00	Nov Jan	114,60 118,25	115.00 118.50	114,65 114 118,25 177, 121,10 120, 124,00	35 80
	192.50 194.00 192.50 189.00 185.00	191,00 192,50 191,00 187,00 183,50 181,50	193.25 193.50 195.00 193.25 194.00 192.50 199.00 189.00 185.00 186.00 183.25 182.00	Nov Jan Mer Nav Jun	114.60 118.25 121.10 124.00 125.30	115.00 118.50	114.85 114 118.25 117, 121.10 120, 124.00 125.30	35 80
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_	192.50 194.00 192.50 188.00 185.00 182.00	191,00 192,50 191,00 187,00 183,50 181,50	193.25 193.50 195.00 193.25 194.00 192.50 199.00 189.00 185.00 186.00 183.25 182.00	Nov Jan Mer May Jun Barley Sep	114.60 118.25 121.10 124.90 125.30 Close 209.40	115.00 118 50 - - - - - - - - - - - - - - - - - - -	114,65 114 118,25 117, 121,10 120, 124,00 125,30 High/Low 109,46 209	35 80 90 35
TI C	192.50 194.00 192.50 189.00 185.00 182.00	191,00 192,50 191,00 187,00 183,50 181,50 9544) lots o	190.25 192.50 195.00 193.25 194.00 192.50 180.00 182.50 185.00 185.00 183.25 182.00 21 100 tonnes	Jan Mer Mer May Jun Barley	114.60 118.25 121.10 124.00 125.30 Gose	115.00 118.50 - - - Previous	114,65 114 118,25 117, 121,10 120, 124,00 125,30 High/Low 109,46 209, 113,30 113,	35 80 90 35
T C	192.50 194.00 192.50 189.00 185.00 182.00 13469 (5	191,00 192,50 191,00 187,00 183,50 181,50 9544) lots (	193.25 192.50 195.00 193.25 194.00 192.50 180.00 182.00 185.00 186.00 183.25 182.00 of 100 terms	Jan Mar Mar Mar Jun Barley Sep Nov May	114.60 118.25 121.10 124.90 125.30 Crose 209.40 113.30 121.00	115.00 118 90 - - - - - - - - - - - - - - - - - - -	114.65 114 118.25 117, 121.10 120, 124.00 125.30 High/Low 109.46 209, 113.30 113, 121.00	35 80 90 35 00
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k e	192.50 194.00 192.50 189.00 185.00 185.00 13469 (5	191,00 192,50 191,00 197,00 183,50 181,50 9544) lots ( ent sales in July amoun 103 tonnes re tow and	193.25 182.50 195.00 193.25 194.00 182.50 189.00 188.00 185.00 186.00 183.25 182.00 of 100 termins t Liverpool for the nited to 114 in the previous	Nov Jan Mer Alay Jus Barley Sep Nov May Turnove	114,60 118,25 121,10 124,90 125,30 Crose 209,40 113,30 121,00 r. Wheat	115.00 118 50 	114.65 114 118.25 177, 121.10 120, 124.00 125.30 High/Low 109.40 109, 113.30 113, 121.00 Barley 144 (	35 80 90 35 00
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			_		3 months	345-5.5	347
Turnow	ar: 3621 (	5362) lots o	f 10 tonnes	-1 B.B.	Michel (S po	r tonne)	
price fo	ndicasor i w Jul 21	pnces (3U) 713.10 (746	is per tonin 184) 10 day	ej. Delly average	Cash	7490-500	748
for Jul	22 782,71	(767.40)			3 months	7560-5	755
					Tin (5 per t	onne)	
					Coult	6875-86	670
					3 months	6915-25	675
0.00	- Len	FOX		Shonne		el High Gred	62 pc
	Close	Previous	High/Low		Cash \$ months	1322-3 1344-5	133
Jul	770	761	749 745	_	Life Chain	g SS nee	
Sec Nov	761 767	776	782 762		SPOT: 1,909	15	3 mg
Jen	800	779 794	767 769 766 762				
Mor	815	812	E15 798				
May	830	650	518 814 EM EM		LONDON	BILLINON IN	en la
		959) lots of				opted by N I	
ICO mo	irator pr	rices (US c	endsberbe	ound) for	Gold (truy	ozi	
Jul 21: (	Comp da	rly 49 43 (5)	1.11) 15 day	average		\$ price	
48.67 (4	8.48)				Close	357.70-39	
-	-	oudon PO	,	Channa	Opening	357.70-35 357.40	1.05
-VIA:			_	E/torese	Morning for Alternoon I		
	Close	Previous	High/Low		Day's high	358.30-35 357.00-35	1.60
Apr	70.9	718	72.1 71 0		Day's low	_	_
TUTTOW	er 89 (96)	lots of 20	lones.		Laco Lda i	House Gold L	endle
					1 month	2.92	\$ m
SOYAN	HEAL - I	London FO	X	C/logne	2 months 3 months	2.93 2.93	12 1
	Close	Previous	High/Low				
Oct		118.00			Sheer its	byggas og	
					Spot	207.33 213.75	
I TO THE PARTY	a. n 1531 i	igits of 20 to	ALFRES.		3 months 6 in <b>o</b> nths	219.25	
			_		12 months	230.15	
FREE	## _ I						
	11 - 100	nica POX	37/1/100	point	2010 44		
	Comi	Premius	High/Low	point.	GOLD CO		
34	1070		High/Low 10/13 1066	point		\$ price	_
Jul Aug	1070 1000	1075 1095	High/Low 10/13 1000 1100 1005	en point	Krugerrand	\$ price 357.00-5	69.00
Jul Aug Smo	1070 100 1100 1125	1075 1095 1136	High/Low 10/0 1000 1100 1000 1125	em point	Krugerrand	\$ price 357,00-5 366,05-3	70.40
Jul Aug Sao BPI	1070 100 100 1725 1060	1075 1095 1136 1061	High/Low 10/13 1000 1100 1005	in point	Krugerrand	\$ price 357.00-5	70.40
Jul Aug Sao BPI	1070 100 1100 1125	1075 1095 1136 1061	High/Low 10/0 1000 1100 1000 1125	ing point	Krugerrand	\$ price 357,00-3 368,05-3 eign 65,50-87	70.40
Jul Aug Seo BFI Turnove	1070 1070 1000 1125 1060 # 54 (112	1075 1075 1095 1136 1061	High/Low 10/0 1000 1100 1000 1125		Krugerrand Maple leaf New Sover	\$ price 357,00-3 368,05-3 eign 65,50-87	70.40
Jul Aug Seo 9F1 Turnove	1070 100 100 1725 1060	1075 1075 1095 1136 1061	High/Low 10/0 1000 1100 1000 1125	E/tonns	Krugerrand Maple leaf New Sover TRADED C	\$ price 357,00-5 366,05-3 elgn 85,50-87 OFTICHS (99,7%)	70.40 .00 Calls
Jul Aug Seo BFI Turnove	1070 1070 1000 1125 1060 # 54 (112	1075 1075 1095 1136 1061	High/Low 10/0 1000 1100 1000 1125		Krugerrand Maple leaf New Saver TRADED C Aluminium Strike prior	\$ price 357,00-4 365,05-4 eign 85,50-87 princes (98,7%)	Calls
Jul Aug Sero BFI Turnove Wheel Sep	1070 1000 1100 1125 1060 pr 54 (112	Premium 1075 1075 1136 1136 1061	High/Low 10/0 1006 1 (00 1005 1125 1060	. Shonns	Krugerrand Maple lest New Sover TISADIED C Aluminium Strike prior	\$ price 357,00-5 366,05-3 elgn 85,50-87 OFTICHS (99,7%)	70.40 .00 Calls
Jul Aug Seo BFI Turnove Wheel Sep Nov	1970 1970 1100 1125 1060 F 54 (112 5 - Lone Close 111 55 114.60	1075 1075 1076 1136 1061 2 2 2 2 2 2 2 2 2 2 3 2 3 2 3 3 3 3 3	High/Low 10/01 1005 1125 1060 High/Low 111.55 111 114.65 114	5/tonne	Krugerrand Maple leaf New Saver TRADED C Aluminium Strike prior	\$ price 357,00-5 365,05-3 olign (5,50-67 (98,7%) (98,7%) a \$ tenne Sep	Calls
Jul Aug Said Birl Turmove GRANE Wheel Sep Nov Jan	1970 1970 1100 11725 1060 1 54 (112 5 - Lone Close 111 55 114.60 118.25	1075 1075 1136 1061 3 5em POX Previous	High/Low 1973 1066 1100 1065 1725 1060 High/Low 111-55 111 114-85 114 118-25 177	Shonns 40 35 80	Krugerrand Maple text New Sover Thankb C Alleminism Strike prior 1389 1480	\$ price 1 357,00-5 365,05-3 olgn (55,50-47 0)************************************	771.40 2.00 Calls 777 49
Jul Aug Sino BFI Turmove GRANE Wheat Sep Now Jan Mer	1670 1600 1100 1125 1060 w 54 (112 Close 111 55 114.00 118.25 121.10	1075 1075 1076 1136 1061 2 2 2 2 2 2 2 2 2 2 3 2 3 2 3 3 3 3 3	High/Low 10/0 1065 1100 1065 1125 1060 High/Low 111.55 111 114.65 114 118.25 117 121.10 120	Shonns 40 35 80	Krugerrand Maple text New Sover TSADED C Alternation Strike prior 1300 1400 Cupper (Gr	\$ price 357.00-3 365.05-3 eign (5.50-67 (98.7%) 1 \$ tonne Sep 46 19 6	Calls 77 49 29
Jul Aug Said Birl Turmove GRANE Wheel Sep Nov Jan	1970 1970 1100 11725 1060 1 54 (112 5 - Lone Close 111 55 114.60 118.25	1075 1075 1076 1136 1061 2 2 2 2 2 2 2 2 2 2 3 2 3 2 3 3 3 3 3	High/Low 1973 1066 1100 1065 1725 1060 High/Low 111-55 111 114-85 114 118-25 177	Shonns 40 35 80	Krugerrand Maple leaf New Sover TRADED C Aluminium Strike prior 1300 1350 1400 Cupper (Gr	\$ price \$ 357.00-\$ 365.05-3 olign (55.50-87 0/FTIORES (39.7%) 1 \$ tonne Sep 46 19 6 ode A\$	70.40 .00 Calls 77 49 29
Aug Sep BFI Turnove Wheat Sep Nov Jan Mar Nany	1070 1100 1125 1060 1 54 (112 5 - Lone Close 111 55 114.60 118.25 121.76	1075 1075 1076 1136 1061 2 2 2 2 2 2 2 2 2 2 3 2 3 2 3 3 3 3 3	High/Low 1073 1066 1100 1065 1125 1060 High/Low 111.55 111 114.65 114 118.25 117 121.10 120 124.00	Shonns 40 35 80	Krugerrand Maple text New Sover TSADED C Alternation Strike prior 1300 1400 Cupper (Gr	\$ price 357.00-3 365.05-3 eign (5.50-67 (98.7%) 1 \$ tonne Sep 46 19 6	Calls 77 49 29
Juli Aug Sep BFI Turmove Wheel Sep Nov Jun Mer Nav Jun Berley	1970 1970 1900 1125 1960 1 54 (112 5 - Lone Close 111 55 114.00 118.25 121.90 125.30 Close	Previous 1075 1075 1075 1075 1075 1075 1081 1081 1081 1081 1081 112.55 115.00 118.90	High/Low 1073 1006 1000 1005 1125 1050 1125 1050 11153 114 114.95 114 114.95 117 121.10 120 125.30 High/Low	£/tenne 40 35 80 90	Krugerrand Maple leaf New Sover TRADED ( Aluminium Strike prior 1309 1309 1400 Cupper (Gr 2500 2850	\$ price 357.00-5 365.05-3 olign (55.50-87 0PTROUES (98.7%) 15 tonne Sep 46 19 6 ode A\$	70.40 2.00 Calls 7 De 77 49 29 Calls 86 40
Jul Aug Sino BF1 Turmove BF1 T	1000 1000 1125 1000 1125 1060 F 54 (112 5 - Lone Close 111 55 114.00 121.10 122.10 123.30	1075 1075 1075 1075 1075 1075 1061 1061 1061 1061 1061 1061 1061 112.25 115.00 118.50	High/Low 10/0 1005 1100 1005 1125 1060 High/Low 111.55 111 114.65 114 112.50 120 124.00	£/tonns 40 35 80 90	Krugerrand Maple leaf New Sover TRADED ( Aluminium Strike prior 1360 1360 1400 Cupper (Gr 2500 2850 Collee	\$ price 357.00-5 365.05-3 365.05-3 369.05-3 369.05-4 39.7%) 15 tonne Sep 46 19 6 ade A\$ 58 38 20	78.40 Calls 77 49 29 Calls 78 66 40
Jul Aug Seo	1979 1100 1125 1060 1725 1060 1755 1060 11155 114,60 118,25 121,90 122,90 123,90 125,30 120,0	1075 1075 1095 1185 1061 3 3 5ee POOK Previous 112.25 115.00 118.90 	High/Low 10/01 1006 1100 1005 1125 1000 1125 1000 111.55 111 114.55 114 114.25 117 124.00 124.00 125.30 125.30	£/tonns 40 35 80 90	Krugerrand Mache lexi New Sover TISADED G Alterdation Strike prior 1309 1350 1400 Copper (Gr 2500 2850 Collee 750	\$ price 357.00-5 365.05-3 sign 65.53-87 (98.7%) 15 tonne Sep 46 19 6 ade A) 56 38 20	70.40 Calls De 77 49 29 Calls 78 49 29 12
Jul Aug Simo BFI Turmove BFI Turmove BFI Turmove BFI Turmove BFI	Closed 1070 1100 11725 1060 11725 1060 8 54 (112 8 - Losse Close 111 55 114.60 118.25 121.90 123.90 125.30 Close 209.40 113.20 121.00 121.00 121.00 121.00 123.00 1	Previous 1075 1075 1075 1075 1075 1075 1075 1075	High/Low 1073 1006 1000 1005 11025 1006 1005 1125 1006 114.95 114.	27tonns 40 35 80 90	Krugerrand Maple test New Sover TRADED ( Alleminism Strike prior 1300 1350 1400 Copper (Gr 2500 2800 2850 Coffee 750 800	\$ price 357.00-5 365.05-3 365.05-3 369.05-3 369.05-4 39.7%) 15 tonne Sep 46 19 6 ade A\$ 58 38 20	70.40 .00 Calls 77 49 29 Calls 78 60 12 36
Jul Aug Simo BFI Turmove BFI Turmove BFI Turmove BFI Turmove BFI	Closed 1070 1100 11725 1060 11725 1060 8 54 (112 8 - Losse Close 111 55 114.60 118.25 121.90 123.90 125.30 Close 209.40 113.20 121.00 121.00 121.00 121.00 123.00 1	1075 1075 1075 1075 1136 1061 1061 1061 112.25 115.00 118.90 	High/Low 1073 1006 1000 1005 11025 1006 1005 1125 1006 114.95 114.	27tonns 40 35 80 90	Krugerrand Maple text New Sover Tisability Alleminism Strike prior 1302 1350 1400 Copper (Gr 2500 2800 Coffee 750 860	\$ price \$ 357.00-\$ 365.05-3 365.05-3 366.05-3 366.05-3 (99.7%) \$ \$ tonne Sej 46 29 36 20 56 57 73 17 6	70,40 200 Calls 77 49 29 CARS 78 86 40 12 36 75
Jul Aug Simo BFI Turmove BFI Turmove BFI Turmove BFI Turmove BFI	Closed 1070 1100 11725 1060 11725 1060 8 54 (112 8 - Losse Close 111 55 114.60 118.25 121.90 123.90 125.30 Close 209.40 113.20 121.00 121.00 121.00 121.00 123.00 1	Previous 1075 1075 1075 1075 1075 1075 1075 1075	High/Low 1073 1006 1000 1005 11025 1006 1005 1125 1006 114.95 114.	27tonns 40 35 80 90	Krugerrand Maple test New Sover Tisabito ( Alleminium Strike prior 1300 1300 1400 Copper (Gr 2500 2800 2850 Codine 750 860 860 Cocces	\$ price \$ 357.00-\$ 385.05-\$ 385.05-\$ 385.05-\$ 386.05-\$ (99.7%) \$ \$ tonne Sep 46 19 6 ede A} 59 30 20 59 73 17 6 8	Calts  Ca
Jul Aug Sep BFI Turmove Berley Sep Hour Sep Hour Sep Hour Turnove Turnove	Closed 1070 1100 11725 1060 11725 1060 8 54 (112 8 - Losse Close 111 55 114.60 118.25 121.90 123.90 125.30 Close 209.40 113.20 121.00 121.00 121.00 121.00 123.00 1	1075 1075 1075 1075 1075 1075 1075 1075	High/Low 1073 1006 1000 1005 11025 1000 1005 1125 1000 1005 1125 1000 1125 114.05 114 118.25 117 125.00 125.30 125.30 113.30 113.71.00 120 125.30 113	2/conne 40 35 80 90 35 00	Krugerrand Maple leaf New Sover TRADED ( Aluminium Strike prior 1360 1360 1400 Copper (Gr Z500 2850 Coffee 750 800 800 Cocce 550	\$ price 357.00-3 365.05-3 365.05-3 365.05-3 365.05-4 3 (98.7%) a \$ tonne Sep 46 19 6 ade A\\$ 58 38 20 59 73 17 6 59	70.40 Calls Dec 29 Dec 29 To Dec 29
Jul Aug Sep BFI Turmove Berley Sep Hour Sep Hour Sep Hour Turnove Turnove	Close 1070 11050 1125 1060 1125 1060 1125 1060 1125 1115 1115 1115 1115 1115 1115 111	Previous 1075 1075 1075 1075 1075 1075 1075 1075	High/Low 10/3 1000 1000 1100 1000 1100 1000 1100 11	2/conne 40 35 80 90 35 00	Krugerrand Maple test New Sover Tisabito ( Alleminium Strike prior 1300 1300 1400 Copper (Gr 2500 2800 2850 Codine 750 860 860 Cocces	\$ price \$ 357.00-\$ 385.05-\$ 385.05-\$ 385.05-\$ 386.05-\$ (99.7%) \$ \$ tonne Sep 46 19 6 ede A} 59 30 20 59 73 17 6 8	Calts  Ca
Jul Aug Seo BFI Turmove Seo Hours Se	Close 1070 1100 1172 1000 11725 1000 11725 1000 11725 11156 114.05 124.00 125.30 Close 29.40 125.30 Close 103.00 121.00 121.00 125.30 Close 103.00 121.00 121.00 125.30 Close	1075 1075 1075 1075 1075 1075 1075 1075	High/Low 1073 1006 1100 1005 11025 1	2/conno 40 35 80 90 35 00	Krugerrand Maple leaf New Sover TRADED ( Aluminium Strike prior 1300 1300 1300 2500 2500 2500 2600 Coffee 750 860 Cocces 550 575 600	\$ price 357.00-3 365.05-3 365.05-3 365.05-3 365.05-4 3 (98.7%) a \$ tenne Sep 46 19 6 ade A\\$ 58 38 20 59 73 17 6 59 14 6	70.40 Calls 777 49 29 Calls 86 40 12 36 75 3 20 37
Jul Aug Sieg BFI Turmove BFI Sep Nov Mary Jun Barley Sep Hou May Turmove Turmove PROS -	Close 1070 11050 1125 1060 1125 1060 1125 1060 1125 1115 1115 1115 1115 1115 1115 111	Previous 1075 1075 1075 1075 1075 1075 1075 1075	High/Low 1073 1006 1100 1005 1125 11060 1125 111 114.95 114 114.95 114 112.30 112.30 113.30 1	2/conno 40 35 80 90 35 00	Krugerrand Maple leaf New Sover THADIED C Alteratelmon Strike prior 1360 1400 Cupper (Gr 2590 2800 2850 Collee 590 800 850 Cocces 575	\$ price \$ 357.00-3 365.05-3 365.05-3 365.05-3 365.05-3 367.7%) \$ \$ tonne Sep 46 59 6 ade A\$ 58 38 20 59 73 77 6 59 17 6 59 17 6	70.40 Calls 777 49 29 Calls 86 40 12 36 75 3 20 37
Jul Aug Seo BFI Turmove Seo Hours Se	Close 1070 11020 1	Previous 1075 1075 1075 1075 1075 1075 1075 1075	High/Low 1073 1006 1100 1005 1100 1005 11025 1005 1005 100	2/conno 40 35 80 90 35 00	Krugerrand Maple leaf New Sover TRADED ( Aluminium Strike prior 1300 1300 1400 Copper (Gr 2500 2000 Coffee 750 800 890 Cocce 550 575 600	\$ price 357.00-3 365.05-3 365.05-3 365.05-3 365.05-4 3 (98.7%) a \$ tenne Sep 46 19 6 ade A\\$ 58 38 20 59 73 17 6 59 14 6	70.40 Calls 777 49 29 Calls 86 40 12 36 75 3 20 37
Jul Aug Sep BFI Turmove BRABE Sep How Jun Barloy Jun Turmove Feb PROS -	Closed 1070 1100 11725 1060 11725 1060 11725 1060 11725 1060 11726 11726 11726 11726 11727	Previous 1075 1075 1075 1075 1075 1075 1075 1075	High/Low 1073 1025 1100 1005 1100 1005 1102 1125 1000 1125 111 1125 111 1125 111 1125 111 1125 117 1125 117 1125 117 1125 117 1125 117 1125 117 1125 117 1125 117 1125 117 1125 117 117 117 117 117 117 117 117 117 11	2/conno 40 35 80 90 35 00	Krugerrand Maple leaf New Sover TRADED ( Aluminium Strike prior 1300 1300 1300 2500 2500 2500 2600 Colfee 750 860 Cocces 550 575 600	\$ price \$ 357.00-3 365.05-3 365.05-3 365.05-3 365.05-3 367.7%) \$ \$ tonne Sep 46 59 6 ade A\$ 58 38 20 59 73 77 6 59 17 6 59 17 6	70.40 Calls 777 49 29 Calls 86 40 12 36 75 3 20 37

	1240-		1344 1239	13	341-1,5	1340-1	17	2,724 lots	-	21.00	E
per to				_		Total de		r 23,296 lots	Mov	21.37	21,
P == 10			1240/1336	-	339-40			- HOUSE IN	Dec	21,19	21. 21.
	1334.5 1365.5	-0.5 -0.5	1361/1354		559.5-40 169.5-60	.5 1960-1	15	6,283 lots	Feb	ETAD	21.
									Marie	20.98	21.
						1042 8	any minor	er 7,159 Job	Apr	20.87	21,
5	337.5	8.5	353/344	3	24	969.4					
	347,5	0.M	353/344	- 3	45-8.S	360-1		.862 lots	HEAT	ING OIL	42,000
						Total d	alty turnov	er 3,190 lots	_	Ciosa	Pre
2	7480-6		7492/7492		M 6				_		
	7850-6	70	7565/7540	73	60-6	7980-5	25	,742 lots	Aug	5957	600
						Total di	elly ternov	er 3,270 lots	Oot	0000 0170	014
	6705-1	5		62	95-806				FREY	6258	623 633
	6750-5	i	6970/9800	96	40-50	6945-65	11	,618 lots	Dec	6348	. 641
irede i	(3 per 1	(enno				Total de	ly turnow	r 24,760 lots	Jen	6373	843
	1337-8		1314/1314	95	113-4		.,		Feb	6278	633
	13584		1360/1323		34-5	1365-8	72	567 loks	Man	8048	809
									Apr	94106 5653	347
	a mons	14: 1.67	190	5 m	MOTOR:	LAUE	li ene	mile: 1.820g	-	9900	871
							,				
									COC	DA 10 ton	nes;\$/
				-						Close	Pre
E EAS	THUM			Re	W	York			Sep	834	928
MM	Rothsc	hlid)							Dec	991	968
				eou	) 100 tr	y az; Shroy	02		Mar	1000	103
<b>38</b>	2	aquive	dent		Close	Previous	High/Lo	W.	May	1986	108
0-358.0			_	Jul	357 6			_	Jul See	1005	100
7-358.G				246	355.1	359.6	0 359.1	0 357.4	Sep	1125 1161	112
0		86.036		0.00	358.9	350.4	0	0	Mar	1210	110
0		BI 325		Oct	359,9	361.3	360.6	359.3	May.	1240	122
0-358.6				Dec	361.9	363.2	362.8	381.1			
1-357.3	N			Aur	363.8 365.7	365.1 367.0	364.5	353.0	COFF	EE "C" 3	7.5001
id Len	Mileg A	intes (1	fa USE)	Aug	370.5	371,1	368.1 379.5	· 370.5	-	Close	_
92	\$ mon	ths.	2.85		•			- 3/03			Pre
93	12 mg		. 2.96	PA.		troy oc \$75	OY OZ.		Jul -	58.55 61.80	57.
23					Close	Previous	High/Lo	w	Sep Dec	69.60	90.0
OZ.	L	5 cts 4	- Annie	Jul	376.0	389.8	361.6	379.0	Mer	65.80	82.0 84.4
	_		Address of the last of the las	Oct	378.6	380.3	383.5	375.0	May	89,85	68.4
3		96.00		Jen	373.5	387 3	380.0	371,5	ألتاك	71.00	70.2
5		96.40 02.00		Apr	373.4	357.2	380.0	372.5	Sep	72.75	71.7
5		10.25		التال	373.1	386.9	381.0	375.0	Dec	75.50	25.4
	_			SILVE	R 5.000	BOY OF CHI	क्ष्मीत्वर तर			• • •	
								-	COTTO	DN 50,000	-
			<del></del>	·	Closes	Providue	High/Lo	W	00111		
rice	_	- aquiv	elent .	34	383.7	396.3	383.5	383.5		Close	Prev
.00-35	1.00	187,00-1	189.00	Aug	394.5	397.2	0 .	0	Oct ·	12.10	63.0
<b>05-37</b>				Sap	395.5	395.2	397.0	394,5	Dec	81.70	61.8
20-87.0	0 4	<b>15.00-</b> 47	7.00	Occ	389.6	402.3	401,0	398.5	Mar	62.67	63.0
				Jun Mar	401,1	403.8	6	0	May	63.67	63.7
,				May	408.9	409.6	405.0 405.0	463.0 406.0	34	64.D6	\$4.Q
	als	3	us.	34	409.8	0125	0	0	Oct	63.35	63.4
				S10	412.7	415.4	414.0	ALAD	Dec	83.31	63.3
Sep	Dec	Sap	Dec	Des	417.8	430.3	0	0 /-	DRAN		15,00
46	77	14	25	NOON I	COLANE	COPPER 25,	000 5			Close	Prev
15	49	37	45	00000	-			AHACHOR	_		_
6	29	74	74		Close	Previous	High/Lo		Sep	116.5	110.7
C	485	5	Nation 1	Art.	116.55	114.65	115.40	114,50	Nov	112.00	112.
_				Aug	115.40		115,80	114,40	Jun Mar	112.20	111.0
59 38	11	₩.	89 118	Sep	115,50	. 115.00	115.80	114.50	May	112.00	112
20 20	56 40	65 100	151	Oct	113.00	-	0	0 -	JUI .	112.56	1120
EM		100		Marc	114.75		0	0 -	Sep :	112.55	1124
Sep	Nov	Sap	Nov	Dec	114.55		114.80	113.35	Nov	712.55	1121
	_			Allers Total	114.00		0	. 0 .			
73	12	64		Feb Mar	113.50		0 113.00	0			
17	38	34	94		112.36			111,70	_		<u> </u>
6	75	22	85 -	Apr	صب.		9	0 .	DAK	HCES	
Sep	Dec	Sap	Dec						RE	TERS (B	
28	9	63	14						1		
14	20	47	23	anev	A MORI	D =11" 112,0	100 lbs; ce	rta/lbs	-	<u>Jul 2</u>	-
6	37	36	35		Ctops		High/Los		-	1558.	8 1
				= -					001	JONES	Base
Sep	Opt	Sep	Oct	Oct	9.97	9.90	10.10	9.02	-	Jul.2	_
55	_				9.57 9.49	9.59 9.53	9.70	9.84	1		
31 21-2	-			Ľ	9.44	9.47	9.62 9.54	9.46	Spc		
					9.32	9.36	9.42 ·	9.42 9.42	Lun	res 118.9	. 1
			<b>N</b>								
	*	٠, ١									
	1	ハ	. 1		P3 .				_		
	- 5	-	/								î., °

	Close	-81-49 -10,000	- CO GRAD	-	_	Lag	•		
_		Previous			SOYA	BEAUCE S.E	on the infer	omits/policy is	امالعه
Aug	21,78	21.79	21.00	21.59	. ===		Previous		
Dep	21.46	21.61	21.73 21.62	11.36		Close		High/Low	
Nov	21.37	21.53	21.57	21.29	SM	\$6670	558/0	668/4	556/0
Dec	21.20	21.43	21,53	21,20	GHO	559/1 569/4	557/6 659/2	580/4 582/2	557/6 559/0
-350	21,19	21.34	21,40	21.00	Mon	863/6	563/2	666/2	563/0
Feb Mar	20.98	21.25	21.07	20.97	Jan	571/4	571/2	573/8	571/0
Apr	20.96	21.14	21,16	21.07	Mar	580/2	579/4	582/0	579/4
		- 1100	21.05	21.00	May	686/6	586/2	589/4	\$86/4
MEA.	COMO OR	12,000 US (	alle seste	#10 malls	Jel	591/0 589/0	590/4	500/4	590/4
10071					Aug	582/0	588/4 581/4	0 583/4	6 861/4
	Ciose	Previous	High/Lo	- Ind					001/4
Aug	5957	5000	6110	5000 ·	MUYA		60,000 lbs:	OWNES/ID	
Out	6083 8170	0147 6220	0165	6075		Circum	Premous	High/Low	
Diez	6258	6330	6276 5380 -	0170	- 30	18.96	18.88	19.06	18.85
Dec	6348	. 6410	E445	6260 6360	AHD	19.00	18.90	19.05	18.88
Jan.	6373	8430 6136	6460	6390	Sec	19.19	10.10	19.24	19.06
Mar	6278		E36G	6290	Oct	19.66	19,25	75,40 78,65	19.23
Apr	8048 MUG	8096 347%	4126	6090	Jan	19.79	19.60	19.85	79.53 19.69
May	5653	8715	5915 5756	5880 5785	Mer	20.06	19.96	20.10	19.59
-		•	•	47.00	MARY	20.33	20.25	20.45	20.28
COC	04 10 200	nes;\$/tome			JUI	20.59	20.51	20.65	20.55
		_			Aug	20.76	20.62	0	0
_	Close	Previous	High/Lo	₩	SOYA	BEAN ME	A)_ 100 tons;	\$/ton	
Sep Dec	B34	928	950	825	,	.Close	Previous	High/Low	
Mar	991 1006	968 .	1006	987	Jul	173.5	173.3	174.0	
May	1986	1037 1088	1054 1082	1042	Aug	174.0	174.1	174.7	173.1 173.7
Jul	1095	1005	1110	1075 . 1110	8ap	174.8	175.D ·	175 a	174.0
Sep	1125	1122	1135	1129	Oct	183.1	183.5	194.5	193.0
Dec	1161	1160	1175	7170	Jec Jan	192.4 191.7	192.5	193.4	192.0
May.	1210	1198	1211	1201	Mar	190.6	190.9	192.5 192.0	191.6
	12.40	1227	7245	1240	Mary	189.3	189.9	190.5	190.6 189.2
COSE	28 -r= r	7,500lbs; or			MAPP	7 5 000 h	-		100.2
-							Min; cente/	61b bushel	
	Close	Previous	High/Lo	W	-	Close	Previous	High/Low	
Jul -	50.55	57.35	58.40	58.20	ليل	227/0	223/6	227/4	225/0
Sep Dec	61.80	60.05	62.10	59,45	Sep	227/0	226/4	227/6	226/2
Mer	69.60 66.80	82.05 84.45	64.10	61.60	Deq	230/6	230/2	232/2	230/2
May	89,85	68.45	65.10 69.90	64,10 68.20	Miley	239/0 244/2	238/6	240/2	238/4
Jul	71.00	70.25	71.00	70,50	Jest	248/4	244/2 248/2	245/4	244/2
Sep	72.75	71.75	73.00	72.75	Sep	247/4	247/2	249/4	248/0
Dec	75.50	25.45	· 76.50	76.50	Dec	247/4	247/0	248/0	247/0
	• • • •				WHEA	T 5.000 bu	min; conts/	emis such at	
COTT	ON 50,000	cents/lbs			. —	Close			
	Close	Previous	High/Lou				Previous	<u>High/Low</u>	
_			-		Jul Sep	344/0	338/4	344/2	339/4
Oct ·	62.62	63.00	63.45	62.50	Dec	342/2 351/0	340/4	342/4	338/6
Dec	81.70 <b>62.</b> 87	61.89 63.00	62.34 63.40	61.65	Mar	353/0	349/6 352/0	351/4	348/4
May	63.67	63.70	63,70	62.80 63.60	May	944/0	343/4	353/4	351/0
ألط	64.06	64.05	64.25	64.25	Jul	325/6	325/2	344/2 326/0	342/0
Oct	63.35	E3.45	0	0	4 500	1430-			325/4
Dec	83.31	63.31	63.31	63,31	TIAE	ATTILE 40	.000 lba; cer	rts/lbs	
DRAN	(単元)	15,000 Jbs	CONTRACTO			Close	Previous	High/Low	
	Close	Previous	High/Los		Aug	72.825	73.475	73,450	
-					. Oct	72.875	73.325	73.460 73.360	72,900
Nov	116.00	115.70	117.00	118.60	Dec	70.975	71.425	71.525	72.825 70.900
NOA.	112.20	112.10	113.00	112,25	Feb	70.325	70.650	70.700	70.300
Mar	112.50	111.80	112,35 112,70	111.50	Apr Jun	.71.500 68.000	71.975	71.900	71,400
May	112.00	112.30	-0	0 0	Aug	67,500	89.250	69.250	68.900
400	112.56	T12.05	113,00	113,00			68.100	69.100	67.500
Sep '	112.55	112.05	G .	Q · .	LITE	NG\$ 40.0	00 lb; cents/	tha	
Nov	712.55	112.05	Ð	<b>å</b> `		Close	Previous	High/Low	
		'	-	-	Jul	45.450			<u> </u>
		•			Aug	43.250	48.060 43.775	46.250	45.250
DAG	HCES				Oct	38.550	39.275	43.875	43.150
RE	ITEPS /D				Dec	39.675	40,225	39.375 40.426	38,500
1	1000	se: Septer			Feb	40.600	41.025	41.200	39.625 40.800
1-	<u>Jul2</u>		mnth a	до уг аде	Apr	39.550 45.250	39.800	39.800	39.35G
	1558.		1562.6	1894.0	Aug	43.500	45.350	45.250	45.050
000	W JONES	Base: Dec	31 1974 -	1001			43.600	0	48.500
-1-	Jul.21				OHIC	PELLETS 4	10,000 lbs; c	ente/lb	
Spc			HIGHT B	90 yr 5ge		Close	Previous		
		4 118,05 7 119,67		123.07	الال	31,550		HIgh/Low	
		10,01	• • •	. 123.02	Aug	28.275	33,560 30,150	33.600	31.650
-					Feb	37.950	39.850	30.100 39.500	28.150
-								40.000	37.650
	,								

# Little strength behind modest rally

By Terry Byland, UK Stock Market Editor

BETTER Dews on UK mortgage rates and a steadier by central bank support for the performance by sterling helped. US dollar on the previous day. London share prices to rally yesterday from the severe shakeout of the previous session. But there was little enthusiasm behind the recovery and the FT-SE Index was never able to recapture its opening gain of nearly 23

The scene for a market recovery was set overnight by the UK government's move to mortgage charges by cutting the interest rate on its latest National Savings bond, which ger. has been draining deposits

futures also encouraged the UK market to join in the rally in European bourses prompted

But the early gain faded as it

became clear that genuine investment support was restrained by continuing uncertainty over the background both for economic progress and interest rates. In the light of the National Savings bond rate change, one of Britain's largest building societies withdrew its warning that higher mortgage rates were lysts said that higher home lending rates remained a dan-

After returning almost to away from the building societ overnight levels, the market Alan Greenspan, head of the

Accoun	t Dealing	Dates
Tirst Deslings: Jul 13	Jul 27	Aug 10
Option Declared	one: Aug 6	Ndg St
Lasi Dealings: Jul 24	Aug 7	Aug 21
Aug 3	' Aug 17	Sep 1

began to move forward again, but traced an erratic course. largely under the influence of the stock index futures. The final reading showed the FT-SE Index at 2,415.6 for a net gain of 11.9.

At the close, London was ignoring an early gain of 16 points on the Dow Average as Wall Street responded to the address to the Senate of Mr

Federal Reserve Board. Traders and strategists alike

laid stress on the poor trading volume in the stock market. "The market was dead," said the leading trader at a Japanese house. Seag volume totalled 421.2m shares, com-pared with 456.3m in the previous dramatic trading session.

But Stock Exchange statisties disclose that on Monday, when the Footsie at one time showed its biggest fall since the Moscow coup in August 1991, retail, or customer business was worth only £950m. For three weeks, daily retail volume has rarely moved above the £1bn mark regarded as profitable for the London securities industry.

"In spite of the sound argument that equities are out-

standingly cheap, the institutions simply won't buy them at present," said a senior dealer at a UK investment bank. "They are buying UK govern-ment bonds."

The impending sale of 330m Wellcome shares, for which the offer closes on Friday, is also blamed for keeping the institutions out of the stock market. Traders will be glad to see this deal out of the way, but were unimpressed by reports that the Wellcome shares might be sold at a 5 per cent discount to the current market price.

The best news of the day. according to the market, came when British Airways confirmed that it is gaining valuable access to the US airline business by taking an equity stake in USAir Group.

							INDICES	Since Co	mpilation
	July 21	July 20	77 77	July 16	July 15	Ago	High Low	High	Low
Government Secs	89 19	88 96	89 33	89 58	89,54	84.72	89 75 85.11 (3/7) (1/4)	127,40 (9/1/35)	49 M (3/1/75)
Fixed intercel	105.64	105 69	109 14	106.24	106 22	94.45	10%.35 97 15 (6/7) (2/1)	106,35 (6/7/92)	50 53 (3/1/75)
Ordinary Share 6	1831 0	1824.1	1652.1	1890.8	1675 2	2006.1	2149 7 1824 1 (22/5) (20/7)	2149.7 (22/5/92)	49 4 (26/6/40)
Gold Mines	96.7	95.8	94.0	92.5	88.2	203 4	160 6 83 6 (10/1) (8/7)	734 7 [15/2/83]	43.5 (26/10/71)
FT-SE 100 Share	2415 6	2403 7	24319	2483 4	2486 4	2587.9	2737.8 2382.7 (1175) (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotreck 256	1109 52	1109,13	1131 06	1157.08	1752.00	1178.52	1201.79 1109 13 (11/5) (20/7)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div Yield ●Earning Yid %(fuil) ●P/E Ratio(Neti/÷)	5.04 7.26 17.35	5.05 7.27 17.32	7 17 17 57	7.04 17.56	7.04 17.90	4.74 8 32 14.78	Basis 100 Gavt. Secs 15/ 1/7/35, Gold mines 12/8/ 8 FT-SE Emphysio 200 2	56 Bass 1000 F	T-SE 100 31/12
SEAG Bargns 5 00pm Equity Turnover(2m): Equity Bargainst	20,485	25,163 950.0 24,863	20,480 903 9 22,546	19,491 1063.2 21,418 445.9	19,206 631 0 22,226	23,349 1204 09 33,180	GILT ED	GED AC	
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TRADING VOLUME IN MAJOR STOCKS

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# Wellcome worries increase

**FURTHER selling of Wellcome** prompted suggestions from some dealers that the planned share issue might have to be scaled down to take account of market weakness. Pressure from two small securities houses and from the options market was said to be behind a fall of 12 to 833p in the shares yesterday. Wellcome is now an even tighter market than usual, with few traders prepared to buy stock ahead of

next week's share flotation. Wellcome Trust, the governing charity, is hoping to sell 830m shares through investment bank Robert Fleming, although some dealers were suggesting yesterday that the flotation might have to be scaled back to 200m. Flaming has said it has received indicative bids for more than 250m shares and is understood to be convinced that UK institutions will be happy to buy Wellcome stock at around 8000 when the tender process ends on Friday.

However, if the price continues to fall, institutions could find themselves in the bizarra situation of paying for the floated shares at a premium to the price in the market.

### Reuters above worst

A sharp fall for Reuters shares following the group's interim results surprised many in the market. The stock tumbled 70 from the day's high, net 25 off at 1126p on further consideration of the company's trading report.

Marketmakers focused initially on a newswire headline which appeared to indicate that revenues, rather than the percentage growth, would be under pressure. However, fur-ther appraisal showed that the first-half profit of £187.4m was towards the upper end of fore-casts and cash holdings were strong at £600m.

Mr John Clarke of Daiwa, the Japanese securities house, commented: "The earnings are of the very highest quality. With cash continuing to increase there is no reason for Reuters to lose its premium rating."

# **BA** advances

News that British Airways is to pay \$750m for a 21 per cent voting stake in USAir, giving it a 21 per cent voting stake in

### **NEW HIGHS AND LOWS FOR 1992**

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ERCHANT BANKS (1) Close Bros. METAL METAL PORMISM (II ASW. Cool (Will), Inth (GM), Let (A), MESCEL ANESUSE (7) relicehem, Llosheart, Ricardo, Sindair
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O, Soufield, MINES (2) Devex, Kenmara.

America's fourth largest car-rier, was well received in the stock market. Share volume in BA soared to 10m in strong two-way business as the stock advanced 10 to 268p.

Earlier, the shares had moved forward in light trade with the market, but the announcement drove the shares to a day's peak of 275p. before profit-takers arrived.

Mr Chris Tarry at Kleinwort Benson Securities said: "This deal goes much of the way to combat competition from BA's main US rivals. United Airlines and American Airlines." Another analyst, however, commented: "British Airways appears to have paid a high price in a buyers' market."

### Enterprise weak

The focus of attention among oil exploration and production stocks shifted away from Lasmo and moved to Enterprise Oil as its shares retreated 18 more to 319p, their lowest eince April 1988.

The price was unsettled early by the sale of a block of 400,000 shares at 319p, a 7p discount to the prevailing market price. The move accompanied growing unesse about lack of news on the expected sale of Enterprise's stake in the Hudson field in the North Sea.

Sector specialists have been waiting for many weeks for news of the Hudson sale, which is expected to raise around £25m. C. Itoh, the Japa-

nese holding company, has been rumoured to be the buyer of the stake. HSBC put on 7 to 346p.

responding to much better than expected figures from Marine Midland, the bank's US subsidiary.

Monday's rally in Lasmo came to an abrupt halt, with the shares slipping 4% to 126%p on good turnover of 3.2m in the wake of some determined selling by one of the

corporate lender to the oil sector, had revised downwards its oil price forecasts and was reducing its revolving credit facilities to some oil groups. BP settled 3 up at 203p after confirmation of the biggest

that British Steel's broker, UBS Phillips & Draw, had taken the stock off its buy list led to a retreat in the share price which made it the day's worst performing component of the FT-SE 100 Index. The shares gave up 21/2 to

56%p in brisk trade of 11m amid suggestions that the broker had cast doubts about the level of this year's dividend. Simon Engineering fell 18 to 190p after broker Smith New Court downgraded its current-

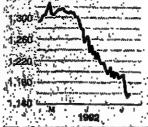
# FT-A All-Share Index 1,340

leading London brokers. There was a suggestion that one of the UK banks, a big

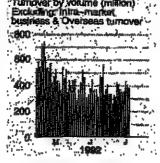
ever traded options deal in the UK market, involving the equivalent of 20m BP shares. Strong hints in the market

year dividend expectation.

FT-ACTUARIES SHARE INDICES



**Equity Shares Traded** Turrover by volume (million)



Kline Beecham, the "A" shares rising 13% to 457p and the units 12 to 412p. Profits of 2254m were at the top of a £248m to £254m market forecast range. SmithKline announced a dividend of 2.075p which was in line with expectations and several houses were recommending the stock. Giaxo saw healthy trade following good buying in New

pany's defensive qualities. Leh-

pany's defensive qualities. Lehman has been telling clients that sales in the UK of the oral version of the company's antimigraine drug Imigran could have reached \$30m (£15.7m) this year.

Newsagent John Menzies maintained a firm tone after Monday's better than expected results led to an upgrading by County NatWest. The securities house said it is looking for profits of £28m next year, compared with a previous estimate of £25.5m. The shares gained 2 to 385p.

Northern Foods rallied 10 to 594p, after losing ground on Monday ahead of this week's annual meeting.

Property shares bounced following the recent spate of depressing statistics showing an all-time low for the sector against the FT-Actuarles All-share Index. Broker recommendations helped British Land to appear to the sector against the FT-Actuarles All-share Index. Broker recommendations helped British Land to appear to the sector against head of this Land to appear to the sector against head of this Land to appear to the sector against head of this Land to appear to the sector against head of this Land to appear to the sector against head of this Land to appear to the sector against head of this Land to appear to the sector against head and the trading well appear to the sector against head of this Land to appear to the sector against head and the trading well appear to the sector against head and the trading well appear to the sector against head of this Land to appear to the sector against head and the trading well appear to the sector against head of this Land to appear to the sector against head and the trading well appear to the sector against head and the trading well appear to the sector against head and the trading well appear to the sector against the trading well appear to the sector against the sector against head and the trading well appear to the sector against the sector again the sector aga

share Index. Broker recommendations helped British Land to improve 3 to 184p and Slough Estates 5 to 122p. Growing belief that Greycoat would maintain its dividend left the stock 5 firmer at 33p.

Mirror Group Newspapers gained a further 5 to 63%p on heavy turnover of 18m shares as talk that a stakebuilder is at work refused to die away.

MARKET REPORTERS Joel Kibazo, Colin Miliham. Christopher Price. Peter John, Steve Thompson.

York on Monday night. The Other market statistics.

BRITISH FUNDS

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options sector boosted turn-

over, enlivening an otherwise

featureless day in the deriva-

tives markets, writes Joel

the opening, traded options were enlivened by a big trade

in BP when broker Strauss

Turnbull, said to have been

acting for Lehman brothers.

"crossed" 20.000 of the July

160 calls. There was specula-

tion in the market that the

IMITTISH FUNDS - Cont.



**EQUITY FUTURES AND OPTIONS TRADING** 

option with a total of 1,909 contracts dealt, BZW a strong Following light trading at buyer of the November 260 call, the day's busiest series. Total turnover in traded options reached 46,759 contracts with a total of 5.002 lots dealt in the FT-SE 100 option. In stock index futures, the

FT-SE contract for September

delivery experienced a volatile

British Aerospace was the

second most active stock

session. With economic worries continuing, independent traders led the contract down and it fell to the day's low point of 2,411. Bargain hunters, however, prompted a turnround and, by noon, Septem-ber had reached its peak of 2,440 before drifting lower. September closed at 2,424, up 8 on the previous close but 7 points below its estimated fair value premium to cash of about 18. Turnover at 8,120

### The market responded well to first-half results from Smithstock moved ahead 28 to 716p, principally boosted by the com-

<sup>9</sup> The Financial Times Ltd 1992. Compiled by the Financial Times Ltd. In conjunction with the institute of Actuaries and the Faculty of Actuaries

		EQUITY GROUPS		Tues	day Ju	iy 21	1992		Mon Jui 20	Fr. 301 17	Jul 146	Year aga Asperox
	FI	SUB-SECTIONS gures in parentheses show number of stocks per section	Index No.	Day's Change	Est. Earnings Yield % (Mas.)	Gress Div. Yield % (Act. et. (25%)	Est. P/E Ratio (Net)	xd sdj. 1992 to date	indes No.	Index Mai.	Index Mg.	India: No.
	2 3	Building Materials (22)	793.62	-0.3 +0.2	7.88 6.84 5.09	6.00 7.06 8.75	16.20 19.88 43.10	20.19 25.58 25.20	740.42 796.27 681.35	762.65 806.22 701.59	776.96 024.14 716.87	
۱	4 5	Electricals (9)	2271.62 1892.92	-0.9 +0.9 -0.2	7.61 8.52 11.68		17.01 14.62 10.83	65.52 44.82 11.27			1890.15	2440.93 1691.35 416.54
	7	Engineering General (43)	469.92 291.60	+0.4 -1.8 -0.1	8.76 5.74 8.18	7.56	14.13 25.54	11.44 6.92 10.04	468.00 296.82 324.73	478,74 294,43 333,96		
l	3.0	Other Industrial Materials (19)	11594.33 31548.49	+0.5	7.78 7.88	5.21 3.70	15.48 15.58 14.55	24.61 29.60	1594.08 1540.22	1637.14	1664.47 1581.30	1589.30 1521.17 1848.32
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١	. 30	Hotels and Leisure (18)	.1103.05 1496.42	+22 -0.7 -0.1	7.23 7.28 6.79		15.77 17.85 18.29	37,92 23,64 27,14	1497.54		1522.28	1263.55 1438.99
	35	Stores (33)	963.91	+0.4	7.06 7.82 7.52	4.53 3.87 4.97	17.16 16.89 16.74	14.76 16.96 14.72	735,76 960,12 624,52	750.63 973.11 640.08	761.41 984.24 654.28	745.74 974.05 569.09
ľ	41 42	OTHER GROUPS (128)	11289.10 1352.07	Į −0.3	10.23 6.59 7.80	5.42 4.00 5.38	12.20 18.48 15.72	25.61 20.78 33.10	1278.50 1355.63	1323.90 1379.94	1398.39	1303.48 1406.36
	44	Conglomerates (11) Transport (14) Electricity (16)	12291.92 11332.25	+1.9 +1.4 -0.6	10.40 6.61 14.82	7.86 5.15 5.51	12.06 14.32 8.54	23.62 54.40 38.33	2261 03 1340.56	2333.30 1350.26		2192.27 1220.70
١	47 48	Miscellaneous (23)	.2797.16 1974.57	+0.1 -0.7 +0.4	13.27 16.04 5.70	4.78 6.19 4.99	11.57 6.90 23.11	21.77 86.85 29.19	2616.17 1966.34	2828.52 1991.31		2461.61 1997.76
	51	INDUSTRIAL GROUP (483)	1861.06	+0.1	8.64 8.14	7.64	14.39 16.16	63,73	1859.75	1255.78 1849.50	1276.93 1903.54	2509.42
	61 62	500 SHARE INDEX (500) FUNNICIAL EROUP (25)	692.43 926.87	+0.3 +0.7 +1.1	8.59 - 7.11	6.51 5.90	14,55	27,32 20,06 24,58	1298.86 607.57 916.63	700.04 930.75	1338.32 721.71 956.56	801.72 925.68
	65	Insurance (Life) (6)	1411.89 448.25	-0.6 +0.7 +0.5	10.23	6.31 7.76 8.57	12.86	44.26 13.46 30.14	1420.70 445 18 753.07	1/47/62 461.25 768.71	1512.50 480.84 797,81	1509.51 657.50
	68 69 70	Merchant Banks (7) Property (31) Other Financial (15)	571.33 235.38	+0.2 +1.1 -0.8	10.19	8.02 7.44	13.28 17.56	11.25 19.44 6.63	437.63 565.38 237.18	446.49 577.72 240.09	450.71 509.65 241.97	425.46 902.99 250.70
	71	Investment Trusts (70)	1112.70 1157.21	+0.3 +0.4	1	4.03 5.13	-	19.26 25.23	1169.71 1152.75	11型線	1141,12 1190.55	1227.88 1234.10
		·	Index No.	Day's	SEAL CON	Day's Low (h)	Jul 20	đưi 17_	Jel 16	J#I 15	Jef 14	Year

FIXED INTEREST					AVERAGE GROSS REDEMPTION YIELDS	Tue Jul 21	Mon Jul 20	Year ago (approx.)	
P/IICE THINCES	Tue Jul 21	Day's charge	Man Jul 20	Accrued Interest		British Government  5 years  2 Coupons 15 years	8.35 8,75	8,38 0.78	9.07 9.92
British Government Up to 5 years (24) 5-15 years (24) Over 15 years (11) I tredeemables (6) 5 All stocks (65)	121.25 138.65 150.25 168.99	+0,19 +0.27 +0.42	121.16 138.77 149.85 168.28 135.71	2.14	7.77 7.72 7.35 7.34 7.95	3 (0%-74,%) 20 years	8.75 9.24 8.97 8.92 9.48 9.13 9.05 9.03	8.78 9.27 9.20 6.95 9.51 9.08 9.07	9.92 10.27 10.11 10.05 10.44 10.24 10.14
Index Linked Up to 5 years (2) Over 5 years (10) All stocks (12) Debs & Leans (62)	172.94 150.21 152.15	-0.13 -0.35 -0.32	173.17 150.74 152.64 121.17	1.15 0.38 0.48		Inflation rate 5%	4.16 4.45 3.38 4.26 10.53 10.32	4.11 4.42 3.33 4.23 10.55 10.35	4.42 4.37 3.45 4.17

\*\*Superving index 2426.2; 9 am 2414.2: 10 am 2410.2; 11 am 2415.1; Noon 2421.1; 1 om 2416.4; 2 om 2419.5; 2.30 om 2421.3; 3 pm 2417.9; 4.10 pm 2413.4; (a) 8.31 am (b) 9.13 am + Flat yield. Highs and lows record, base dates, values and constituents is a published in Saturday issues. A list of constituents is available from the Publishers. The Figancial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTIVARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

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| Sum | Sum

OTHER FIXED INTEREST

### Campbell Soup Company US\$ 100,000,000 to%% Notes due 1995

NOTICE IS DEREBY (IVEN THAT, pursuant to the provisions of the beset Agency Agreement dated as of September 1, 1985 (the "beset Agency Agreement"), between Campbell Scap Company the "Company"; and Bankers Trust Company, as Piscal Agent, and in accordance with Clause 6a) of the Terms and Combitions of the Notes, the Company will redeem all of the unit stability Sortes at a redemption practified for the principal amount on the next interest payment date being September 1, 1992, after which date, interest on the Notes will rease to accorde Subject to the receipt of required founds by the beset Agent, repayment of principal will be made upon presentation of the Notes with all namatured computs attached, at the offices of any one of the Paying Agents between below.

Bunkers Trust Company I Appoli Street Brenigate London EC2A2III. EC2A2III. England

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Campbell Soup Company Dated: July 22, 1992

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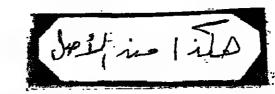
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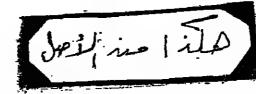
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# FI MANAGED FUNDS SERVICE FI MANAGED FUNDS S FINANCIAL TIMES WEDNESDAY JULY 22 1992 27 FT MANAGED FUNDS SERVICE Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

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MONEY MARKET

Money Market

Trust Funds

# CURRENCIES, MONEY AND CAPITAL MARKETS

### **FOREIGN EXCHANGES**

# Greenspan fails to boost dollar

start of European trading yesterday but showed new signs of weakness by the close, writes James Blitz.

The US currency continued to derive strength from Monday's concerted intervention by the Federal Reserve and European central banks to 2.75 per cent in 1992, compared keep the dollar above its alltime low. In the morning it 2.50 per cent.
rose nearly two pfennigs to However, Mr Christian peak at DM1.5020 as corporate demand for dollars intensified. By lunchtime the rally had petered out and it retreated to close in London at DM1.4885. In New York the dollar finished a

shade lower at DM1.4865. The dollar is underpinned by the market's belief that if the currency tests its record low again, the central banks will intervene. Mr Angus Armstrong, an economist at Morgan Grenfell in London, commented: "The reputations of nearly a dozen central banks are at stake here, so I think

E IN NEW YORK							
July 21.	CANADO	Previous Close					
OT.	1 9090 - 1 9100	1.9050-1.9060 1.20-1.19nm					

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CURRENCY MOVEMENTS				
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Jul 21	£	5
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Australia	2.5550 - 2.5570	13400 - 1341
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Finlant	7 7620 - 7 7855	181 500 - 4.050
Greece	1345.850 · 351.400	
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dalarda.	4 7550 - 4.7670	2.4990 - 2.500
Merico	5718.00 - 5730.55	3115.25 - 3116.
N Zealand	3,4755 - 3 4795	1.8240 - 1.826
Şamil Ar	7 1430 - 7.2200	3.7495 - 3.750
Singapore	3 0690 - 3 0765	1.6130 - 1.614
S AI (Cm)	5.2530 - 5 2750	27590 - 2762
S.AftFo	7 3510 - 7,4000	3 8610 - 3.883
Talwan .	47 00 - 47 15	24 65 - 34 75
UAE	6.9940 - 7 0725	36715 - 3673

# THE DOLLAR extended its they will be keen to underpin rally against the D-Mark at the dollar for now."

Yesterday's dollar downturn was partly due to the market's disappointment with the testimony on the US economy given by Mr Alan Greenspan. chairman of the Federal Reserve. He said US GDP would be in the area of 2.25 to to a previous forecast of 1.75 to

Dunis, a currency analyst at Chemical Bank in London, said Mr Greenspan's upward revision of US growth estimates for 1992 was unconvincing. "In recent times we have seen the Fed consistently over-optimistic about the economy," said Mr Dunis. "What the market did not want to hear was wishful thinking about the scope

for a US economic recovery."
The dollar's later weakness could also be put down to the continued strength of the D-Mark, with many operators remaining convinced that the

Bundesbank will put up it Lombard rate when it nex meets in August.

A clear sign that the Germa currency has not been ser ously weakened by the centra bank intervention was the D-Mark's gain against th French franc yesterday. Franc has a trade surplus, while Ger many has a trade deficit. The French also have an inflation rate 1 percentage point belov Germany's. But the D-Mark still rose yesterday, ending at FFr3.3780, against a previous close of FFr3.3750.

The D-Mark was also firm against sterling, which has failed to track the dollar's rise in the last two days. The pound managed to finish unchanged at DM2.8425, but I was down in morning trading to DM2.8367. The Italian lira was weak in spite of the Bank of Italy's huge intervention or its behalf the previous day. dropped to a low of L761.20 against the D-Mark, but

	Ecu Central Rates	Currency Amounts Against Ecu Jul 21	% Otange from Central Rate	% Spread in Weakest Currency	Divergence ledicator
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Jul 21	Day s spread	Close	One modula	D.4	The second secon	BT %	
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FINANCIAL FUTURE	S AND	OPTIONS
	Section 114 man	COUNTY OF THE PERSON AND PERSONS IN

•	£50,880 64ths at 100%	
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ı	Sep 87 17 87.23 87 04 87.0 Dec 87 71 87 75 87.68 87.6	7
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OPTIONS LIE TOWN CITY PUTCHES	THE SHORT STEERING OFFINES
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# Money Market **Bank Accounts** tall & Ca Ltd **JOTTER PAD** CROSSWORD

### MONEY MARKETS

# Cash rates softer

CASH RATES in the sterling money market were slightly softer yesterday, as dealers continued to digest the effects of Monday's concerted intervention by central banks to keep the dollar above its all-time low.

Although the US currency's rise helped to keep sterling above its own lows, the pound had a weak bias throughout the day. It closed unchanged on the day but left the markets in a bearish mood.

In the morning, short-term rates were boosted by a

### UK clearing bank base lending rate 10 per cent from May 5, 1992

medium-sized shortage of £750m from the Bank of England, most of which was removed by dealers in early operations. Traders said there was now no expectation at all of a base rate cut, considering the Bank's decision to deal in Bands 3 and 4 last Friday at the old rates which had preceded their cut of two

weeks ago. The speed at which the shortage was brought down reduced the offered rate for one-week money: it closed 1/4 off at 10 per cent. The one-month rate was at 10% per cent, down from 10% per cent.

Dealers said the Treasury's decision to reduce the gross interest paid on the First Option National Savings Bond also helped to soften rates because it had taken the pressure off building societies to raise their mortgage interest rates. Helped by this, three-month money ended down at 10% per cent offered from a previous close of 10% per cent.

All of this was offset by sterling's poor performance. The 10 rate was offered right out to one-year, and the virtually flat yield curve showed how bearish the

market has become. The decision on National Savings had a bullish effect on short sterling futures in the morning, with the September contract opening at 89.75, up 5 basis points from its previous close. However, the front-month contract dropped to a day's low of 89.63 before

closing only one basis point up at 89.76 on balance. The Bank of England's operations were light, with the Bank dealing at the established rates of 9% per cent for Bands 1 and 2, and 91 per cent for the

repurchase agreement (repo). In early operations, the Bank purchased £550m in a repo for resale on August 10. In the afternoon, the forecast was revised to £900m and the Bank bought £350m in Band 1.

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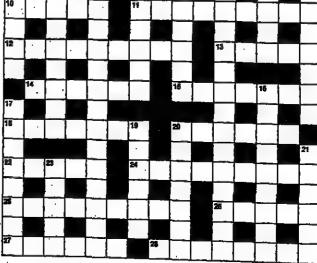
# MONEY MANAGEMENT

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No.7,905 Set by CINEPHILE

ACROSS
1 Lower head for quilt (4.4)
5 it's powerless to provide cover in Germany (6) 10 Scots beast gets instructions to leave (5)

11 Bring up man with van? Con-trariwise! (9) 12 Fat Parisian gets a lot of defamatory remarks on the

prairie (9)

13 The lot ... returned without thanks (5) 14 Complete short distance

18 Gunman's order at 12 o'clock
(5.2)
20 When does one get a dowry?
When one's too old? (6)
22 Young person from Meacham
in Oregon (5)
24 Base of TOC is designed to
perplex (9)
25 Carl VIII could be slow (9)
26 Another name as with

26 Another name, as with Mohammed? (5)
27 Tranquillise the sober? (6)
28 Heavy cold. perhaps, makes one flag (8)

1 Female, about to droop, needs medicine (6)
2 Plower for motor race? (9)
3 Maid . . . . covers tents, possibly (8,7)

4 Pervert had hat on the way to

battle (7)
Serious playing before it became criminal? (10,5)
Rough copy for conscript (5)
Coloured circle, fast and sug-

8 Coloured circle, last and suggestive (8)
9 Hierarchy in tights? (6)
16 Laying down of the law. otherwise admit smog (9)
17 Confusion at the meat-market

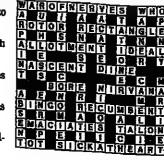
19 Stars to fail? (6) 20 Can't it hear? If you can, among swimmers (6)

15 Fast and furious, first, fled

21 Pens with new top or blue

outside (?)
18 Gunman's order at 12 o'clock 23 Famous refusal to small boy

Solution to Puzzle No.7,904



Jest in Tild

Fauer 1.50	FINANCIAL TIM	MES WEDNESDAY II	JLY 22 1992	wo	ORLD STO	CK M/
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Jul 15 Ja P Industrial div york 2.64 3 B F Industrial div york 28.95 3	Life Jul 1 year ago (approx.) Life 2.66 2.96 8 45 28 74 16.75	Tokyo SE Propin (4/1940) That Section (4/1940) ANAL A VELA (1.SE Composed (4/4/86)) (1.SE Composed (4/4/86))	1.29.39	1230 14 1840 30 602.76	137T 10 1290.54 1860.25 1393.13	1763 43 (6/1) 2459 85 (6/1) 619 06 (20/2)	1822.23 (21/7) 546.63 (14/1) 2/4 00 (8/1)
Jul 15 Ju	## Jul 1 year ago (approx.)  ## 2.66 2%  ## 2574 16.95  TRADING ACTIVITY	Tokyo SE (Tokko (A) JAMO  DAI SERIM MANAM  MARIA A YELE  KUSE Composito (A/A)SIN  METHERIE ANUM  CES TO INC CAR 1983  CES TO INC CAR 1983  MOR WAY	1277.36	1230 14 1840 35 602.76 290 8 198 7	137( 16 1290 54 1868 25 1883 13 605.33 611.74 294.5 298.7 201.2 201.1	1763 43 16/11 2494 65 16/11 619 66 120/20 314 90 (1/16) 315 50 (26/5)	1822.23 (21/7) 546 63 (14/1) 2/4 00 (8/1) 192.40 (8/1)
LP Industrial for yield 2.64 3 LF India PTE retal 38.95 3 EW YORK ACTIVE STOCKS Stocks Classing Chariges proced on day	H	Tokyo SE (Topiu) (A/1848) be Series (A/1848) best a voia klise Composed (A/1866) flettiere amilie CSS Tollier for Line (1983) cus an in the Line (1983)	1227 36 1222 25 1222 25 1223 2	1230 14 1840 30 802.76 290 8 198 7 6-U 24	137(16 1290.54 1880.25 1883.13 605.33 611.74 294.5 296.7 201.2 804.1 667.72 678.89	1763 43 (4/1) 2434 65 (4/1) 619 06 (20/2) 314 90 (4/6) 215 50 (26/5) 772.74 (18/5)	1822_23 (21/7) 546_63 (14/1) 274_00_08/1) 192_40_08/1) 643_24_(20/7)
LP Industrial dir yerki 2.64 3 6 F inst. P[E mids 38.95 3] EW YORK ACTIVE STOCKS Stocks Closking Charloss readily traded price on day test 4.134.000 324 - 15 stocks 2.733.000 452 + 14	Herr Yen SE   15,894   9,800   16,075   15,754   15,755   15,754   15,755   15,754   15,755   15,754   15,755   15,754   15,755   15,754	Toky SE Frank (ATAMA)  THE SETTING MATAMAN  AND A VEHICLE  ALLE COMMOND MATAMAN  ALLE COMMOND MATAMAN  CES THE BRE AND MEDICAL  CES THE BRE COM 1993  CES AND CELLED  PHE EMPLOYEE  MATAMAN  PHE EMPLOYEE  MATAMAN  ATAMAN  MATAMAN  MATAMAN  MATAMAN MATAMAN  MATAMAN  MATAMAN MATAMAN  MATAMAN  MATAMAN MATAMAN  MATAMAN  MATAMAN MATAMAN  MATAMAN MATAMAN  MATAMAN MATAMAN MATAMAN MATAMAN  MATAMAN MA	127.36 1822.25 1823.16 1823.16 1873.6 1437.64	1230 14 1840 30 802.76 290 8 198 7 643 24 2455 00	1371.10 1270.54 1869.25 1395.13 605.33 511.74 294.5 296.7 201.2 204.1 667.72 678.89 1469.46 1451.50	1753 41 (4/1) 2459 65 (4/1) 619 06 (20/2) 314 90 (4/6) 215 50 (26/5) 772.74 (18/5) 1580 95 (11/6)	1822_23 (21/7) 546 63 (14/1) 274 00 (8/1) 192.40 (8/1) 643 24 (20/7) 1063 01 (17/3)
Jul 15   J	Life Jul 1 year ago (tapprox.)  Life 2.66 2.96  Life 29.74 16.95  TRADING ACTIVITY  † Volume Life Jul 20 Jul 17  Rev Yes SE 173.800 165.730 187.530	Today SE (Today MATANA) Today SERTING MATANA) NASA ARMINA MATANA	1279 36 1822 25 665 16 2702 1 197.6 667 56 1477 64	1230 14 1840 30 802 76 290 8 198 7 643 24 2453 00 342 08	1371 18 1290.54 1869.25 1395.13 605.33 511.74 294.5 296.7 201.2 204.1 667.72 678.89 1491.45 1451.50 394.96 347.05	1753 43 16/11 2459 65 16/12 619 06 (20/2) 314 90 19/61 215 50 (26/5) 772.74 (18/5) 1580 95 (11/6) 416 99 (21/2)	1622_23 (21/7) 546_63 (14/1) 274_00_08/1) 192_40_08/1) 643_24_(20/7) 1063_01_17/3 370_13_19/4)
Jul 15   J	Jul 1   year ago (approx.)	Today SE Frank MATANA THE SETTING MATANA MATANAMA AND MATANAMA AND MATANAMA MATANAMA AND MAT	127.36 1822.25 1823.16 1823.16 1873.6 1437.64	1230 14 1840 30 802.76 290 8 198 7 643 24 2455 00	1371.10 1270.54 1869.25 1395.13 605.33 511.74 294.5 296.7 201.2 204.1 667.72 678.89 1469.46 1451.50	1753 41 (4/1) 2459 65 (4/1) 619 06 (20/2) 314 90 (4/6) 215 50 (26/5) 772.74 (18/5) 1580 95 (11/6)	1622_23 (21/7) 546_63 (14/1) 274_00_08/1) 192_40_08/1) 643_24_(20/7) 1063_01_17/3 370_13_19/4)
Jul 15   J	March   Marc	Tops SE FIRST METABLE TOPS SE FIRST MATERIA THE SETTING MATERIA THE SETTING MATERIA THE SET CONTROL TO SET THE SET SET SET SET SET SET SET SET SET SE	127.50 1822.55 605.16 292.1 199.6 657.56 1407.64	120 14 1840 30 602 76 290 8 198 7 643 24 1453 00 392 06	1371 18 1290.54 1869.25 1385 13 605.33 611.74 294.5 296.7 201.2 208.1 667.72 678.89 1469.46 347.05 1394.06 347.05 1131.0 1130.0	1763 43 16/11 2459 65 16/12 619 06 120/2 314 90 14/6 215 50 (26/5) 772.74 (18/5) 1380 95 (11/6) 416 99 (21/12)	1822.25 (21/7) 546 e3 (1/4) 274 00 (8/1) 192.40 (8/1) 192
Jul 15   J	March   Marc	Toky SE (TOK) (ALAMA) THE SETTING (ALAMA) MARILAN HILL MUSE COMPOSITE MARINE MUSE THE MEANING MUSE THE MUSE THE MEANING MUSE THE MUSE THE MEANING MUSE THE MUSE THE MEANING MUSE THE	1222.55 605.16 292.1 199.6 657.56 1437.64 127.64	1230 14 1840 35 402 76 290 8 198 7 643 24 1453 09 342 08 1144 0 4214 0	1371 18 1290.54 1869.25 1885.13 605.33 511.74 294.5 296.7 201.2 204.1 667.72 678.89 1494.65 1451.50 394.06 397.05 1131.0 1130.0 4256.0 4279.0	175.43 (4) (4)11 2459 65 (4)12 619 06 (20/2) 314 90 (4)(4) 215 50 (26/5) 772.74 (18/5) 1580 95 (11/6) 416 99 (21/1) 1327 00 (21/1) 4689 90 (4/6)	1692.25 (21/7) 946.63 (1/4/1) 274.00 (6/1) 192.40 (6/1) 192.40 (6/1) 643.24 (20/7) 1063.01 (1/7/3) 370.13 (9/6) 1106.61 (24/6) 41/47 (10/1)
Jul 15   J	Jul 1   year ago (approx.)	Toky SE (TOK) MATANA THE SETTING MATANA MATANAMA MATANAMA MATANAMA MATANAMA METHERE ANNUA METHERE ANNUA METHERE ANNUA METHERE ANNUA METHERE ANNUA METHERE MATANAMA METHERE MATANAMA METHERE MATANAMA METHERE M	127-36 1822-25 605-16 272-1 199-6 697-56 1437-64 387-56 1437-64 4213-64 4213-64	1230 14 1840 35 602 76 290 8 198 7 643 24 1453 09 342 06 1144 0 4214 0	1862 25 1885 13 605.33 611.74 294.5 296.7 201.2 201.1 667.72 678.89 1494.65 1451.50 394.06 397.05 1131.0 1130.0 4279.0 514.19 511.61	1763 43 16/11 2459 65 16/12 619 06 (20/2) 314 90 9/61 215 50 (26/5) 772.74 (18/5) 1380 95 (11/6) 416 99 (21/1) 1327 00 (21/1) 4689 00 (4/6) 691 48 (8/2)	1892.25 (21/7) 946.63 (14/1) 274.00 (8/1) 192.40 (8/1) 192.40 (8/1) 643.24 (20/7) 1063.91 (17/3) 370.13 (9/4) 1063.91 (17/3) 1063.91 (17/3) 1063.91 (17/3) 1063.91 (17/3)
## P Industrial div yield ## 2.64   3   36.95   3    ## F Inst. P/E inst.   36.95   3    ## ## F Inst. P/E inst.   36.95   3    ## ## ## ## ## ## ## ## ## ## ## ## ##	Jul 1   year ago (approx.)	Toky SE (Toky) (A) AND Toky SE (Toky) (A) AND MAIN APPLIA MAIN COMP MAIN	127.36 1822.25 605.16 292.1 199.6 657.56 1437.64 389.56 4213.04 4213.04 4213.04 4213.04 4213.04 4213.04	1230 14 1840 35 602 76 290 8 198 7 643 24 1453 00 342 06 1144 0 4214 0 505 30 217 87 349 8	1862 25 1885 13 605.33 511.74 294.5 296.7 201.2 801.1 467.72 678.89 1491.45 1451.50 394.96 397.05 1131.0 1139.0 4294.0 4294.0 514.19 511.61 223.54 226.88 878.1 889.7	1753 43 16/11 2459 85 16/12 619 06 620/20 314 90 9/65 315 50 626/51 772.74 (18/5) 1380 95 (11/6) 416 99 (21/7) 1327 00 (21/7) 4889 05 (4/6) 691 48 (8/2) 266 51 (28/2) 1014 50 (11/5) 863 40 (11/5)	1892.25 (21/7) 946.63 (14/1) 274.00 (8/1) 192.40 (8/1) 192.40 (8/1) 193.01 (17/3) 370.13 (9/4) 1865.06 (30/7) 217.87 (30/7) 549.80 (30/7) 748.50 (8/1)
Jul 15   Jul 15   Jul 15   Jul 15   Jul 15   Jul 15   Jul 16   Jul 16   Jul 17   J		Tops SE (Tops) (1/1/14) Tops SE (Tops) (1/1/14) Top SE (TOPS) (TOPS) (TOPS) TOP SE (TOPS) (TOPS) (TOPS) TOP SE (TOPS) (TOPS) (TOPS) (TOPS) TOP SE (TOPS) (T	127, 36 1822, 25 605, 16 272, 1 199, 6 607, 56 1437, 84 1121, 84 4213, 04 4213, 04 421	1230 14 1840 35 602 76 240 8 148 7 643 24 1485 08 342 08 1144 0 4214 0 217 87 349 8	186 25 1885 13 605 33 511.74 294 5 296 7 201 2 204 1 667 72 678 89 1469 46 1451.50 394 96 397 05 1131.0 1130.0 4286.0 4279 0 314 19 511.61 223 54 226 88 878 1 889.7 421 8 433 2	1753 43 16/11 2459 85 16/12 619 06 120/23 314 90 99/83 215 50 (26/5) 772.74 (18/5) 1580 95 (11/6) 416 99 (21/12) 1327 00 (21/12) 4689 00 (4/6) 691 48 (8/2) 266 51 (28/2) 1014 50 (11/5) 883 40 (11/5)	1892.25 (21/7) 946.63 (14/1) 274.00 (8/1) 192.40 (8/1) 192.40 (8/1) 192.40 (8/1) 192.40 (8/1) 192.40 (8/1) 192.40 (8/1) 192.40 (8/1) 192.40 (8/1) 193.01 (11/5) 194.01 (11
Jul 15   Jul 15   Jul 15   Jul 15   Jul 15   Jul 16   Jul 16   Jul 17   J		Tops SE (Tops) (A) AND TOPS SET IN A MANUAL AVEILE (A) AND TOPS SET IN A MANUAL AVEILE (A) AND THE AND	127.36 1822.75 605.16 292.1 199.4 657.56 1437.64 387.56 1423.04 4213.04 511.84 220.56 811.4 144.6 4157.62	1230 14 1840 35 502 76 290 8 198 7 643 24 1445 00 392 06 1144 0 4214 0 4214 0 205 30 217 87 349 8	1371 18 1270.54 1869.25 1885.13 605.33 511.74 294.5 296.7 201.2 201.1 667.72 678.89 1491.45 1451.50 394.96 397.05 1131.0 1139.0 4286.0 4279.0 314.19 511.61 223.54 226.88 878.1 889.7 421.18 1881.1 622.8 633.2 4292.60 4344.68	1753 43 16/11 2459 65 16/12 619 06 (20/2) 314 90 9/61 215 50 (26/5) 772.74 (18/5) 1580 95 (11/6) 416 99 (21/1) 1327 00 (21/1) 4889 00 (4/6) 691 48 (8/2) 260 51 (28/2) 1014 50 (11/5) 682 30 (11/5) 5391 63 (18/1)	1892.25 (21/7)  946.63 (14/1)  214.00 (8/1)  102.40 (8/1)  102.40 (8/1)  103.01 (17/5)  370.13 (9/6)  103.01 (17/5)  370.13 (9/6)  103.01 (17/5)  24/6 (17/5)  24/7 (17/5)  24/8 (17/5)  44/7 (17/5)  44/7 (17/5)  44/7 (17/5)
Jul 15   Jul 15   Jul 15   Jul 15   Jul 15   Jul 15   Jul 16   Jul 16   Jul 17   J	March   Marc	Toky SE (Toky) (A) AND TOKY SE (TOKY) (A) AND	127.36 1822.35 605.16 272.11 197.6 657.56 1437.64 1437.64 220.36 841.4 846.6 4457.02 754.25	1230 14 1840 30 402 76 290 8 198 7 443 24 1443 00 392 06 1144 0 4214 0 4214 0 205 30 217 87 849 8 140 5 807 5 4147 59 756-42	1862 25 1885 13 605.33 511.74 294.5 296.7 201.2 201.1 467.72 678.89 1469.45 1451.50 394.06 397.05 1131.0 1130.0 429.6 31.61 223.54 228.88 478.1 889.7 821.8 633.2 4282.60 4349.48 736.71 750.36	1753 43 (4/1) 2459 85 (4/1) 619 06 (20/2) 314 90 (4/6) 315 50 (26/5) 772.74 (18/5) 1380 95 (11/6) 416 99 (21/1) 4289 90 (4/6) 691 48 (8/2) 266 51 (28/2) 1014 50 (11/5) 863 40 (11/5) 863 40 (11/5) 863 20 (11/5) 863 20 (11/5)	1892.25 (21/7)  946.63 (14/1)  214.00 (8/1)  192.40 (8/1)  192.40 (8/1)  192.40 (8/1)  193.01 (17/3)  370.13 (9/6)  1885.60 (20/7)  247.87 (20/7)  549.80 (20/7)  549.80 (20/7)  549.80 (20/7)  4447.59 (20/7)  641.10 (8/1)  647.64 (19/5)
Jul 15   J	March   Marc	Today SE (Tropa) (1/13/10) That Series (1/13/10) That Land	1279.36 1822.25 605.16 270.21 197.6 607.56 1437.64 121.36 4213.06 412.46 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6 414.6	1230 14 1840 30 602 76 240 8 149 7 643 24 1453 00 942 06 1144 0 4214 0 503 30 217 87 349 8 781 6 807 8 4147 39 756 42 446.5 854 76	1371.18 1270.54 1889.23 1889.23 1889.23 1889.23 1889.23 1889.23 1889.24 1889.2	1753 43 16/11 2439 85 16/12 819 06 220/2 314 90 9/16 215 50 226/51 772.74 (18/51) 1380 95 121/16 416 99 (21/12) 1327 00 (21/12) 4689 00 (4/6) 691 48 68/2 266 51 (28/2) 1014 50 (11/5) 883 40 (11/5) 883 40 (11/5) 883 40 (11/5) 992.30 (11/5) 993 63 (36/12) 892.30 (7/10) 992.30 (7/10) 992.30 (7/10)	1892.25 (21/7)  946.63 (14/1)  214.00 (8/1)  102.40 (8/1)  102.40 (8/1)  103.01 (17/5)  370.13 (9/6)  103.01 (17/5)  370.13 (9/6)  103.01 (17/5)  24/6 (17/5)  24/7 (17/5)  24/8 (17/5)  44/7 (17/5)  44/7 (17/5)  44/7 (17/5)

	TO			Active Sto	cks		
		Tu	eeday 2	1 July 1992			
	Sions Traced	Price	Change on day		Stacks Traded	Challes Prices	CNING
ioshiba Corp	3.6m 5.2m	612 930	-40 30	Canon inc	1.7m	752	
elyo Flatiery Jorah PA B	20m	462 476	+8 +1	Mitsubjeti Hry	1.5m	366	+3
Lateuphity E	1.8m	1,300		NEC Corp	1 4m	808	+2

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

4:00 pm prices July 21	NEW YORK STOCK EXCHANGE COMPOSITE PRICES
1992 YM. P./ Sis Close Prev. 1992 High Low Stock Div. % E 190s High Low Quote Close, High Low Co.	Citype  Visit. Pr Sile  Citype  Citype  Visit. Pr Sile  Citype  Citype  Visit. Pr Sile  Citype  Visit. Pr Sile  Citype  Citype  Visit. Pr Sile  Citype  Citype  Citype  Visit. Pr Sile  Citype  Citype  Visit. Pr Sile  Citype  Citype  Citype  Visit. Pr Sile  Citype
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FINANCIAL TIMES

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**FT SURVEYS** 

32 Ф

# Program selling takes Dow back from highs

### **Wall Street**

ALTHOUGH US stock markets buoyed by an overnight recovery in foreign equities opened firmer yesterday, a round of program selling saw share prices retreat from their early gains and end virtually unchanged, writes Patrick Harverson in New York.

At the close the Dow Jones Industrial Average was up 5.41 at 3,308.41, but well below the day's peak when the index was 20 points ahead. The Standard & Poor's 500 finished just 0.01 firmer at 413.76, while the American SE composite gained a mere 0.30 at 384.82. The Nasdaq composite managed to end 4.35 higher at 568.63. Turnover on the New York SE was a modest 174m shares.

After two days of big losse a rebound in Tokyo and leading European markets yesterday paved the way for a positive opening in New York. although the underlying fac-tors behind Monday's sharp worldwide declines - the weakness of the global economy and high German interest rates - remained a drag on The market received little

before Congress of Mr Alan Greenspan, the Federal Reserve chairman, Mr Greenspan gave little away, although his upbeat comments about the outlook for inflation may have provided investors with some

That left second quarter corporate results as the main influence on stack prices yesterday. Drugs shares were in the forefront, with Warner-Lambert up \$1 at \$65% on news of record quarterly net income of \$178m, up 15 per cent from a year ago, and Pfizer \$\% firmer at \$75\% in active trading on a 14 per cent increase in second quarter profits to \$204m.

USAir climbed 31% to \$14% in heavy trading after British Airways agreed to buy a 44 per cent stake in the US carrier for \$750m. The news of the deal lifted BA's ADRs \$1 to \$50%. Leading banks were also a feature, with Citicorp gaining \$14 to \$2014 after reporting net income of \$171m for the second quarter, against just \$11m a year ago. The comparison.

and after-tax net gains on the sale of non-strategic assets. Chemical Bank went the other way, falling \$1 to \$36 in

however, was distorted by

after-tax restructuring charges

rising sharply in the second

United Technologies moved ahead \$2% to \$53% on announcing second quarter net income of \$166m, up from the \$44m earned a year ago in the wake of a one-off charge against

Motor issues continued to take a beating on concern about the outlook for car sales. Ford dropped \$1 % to \$44, General Motors slipped \$1% to \$39% and Chrysler eased \$1/4 to \$19.

### Canada

A BARRAGE of sell orders at the opening set the tone for heavy losses on the Toronto stock exchange, but the overall market was mixed. Northern Telecom opened late due to an imbalance of sell orders on reporting surprisingly poor

second quarter earnings.
Nortel ended the day down
C3-14 at C\$41%. Its parent,
BCE Inc. depressed later in the day by a sharp loss at its Montreal Trustco unit, tumbled

C\$1% to C\$45%. The TSE 300 index closed 27.3 down at 3,425.2, although falls and rises were almost evenly matched at 365 to 264

# Tokyo's rebound gives support to the region

### Tokyo

A FALL in short-term interest rates encouraged investors, and the Nikkel average gained for the first time in four trading days, writes Emiko Tera-zono in Tokyo.

The 225-issue index ended 117.93 firmer at 16,002.41, after touching a day's low of 15,770.67 and high of 16,055.30 on arbitrage unwinding and

buying by investment trusts. Volume remained flat at 200m shares. In spite of the rise in the Nikkei, other market indicators reflected underlying weakness. Declines led advances by 472 to 429, with 171 issues unchanged. A total of 136 stocks fell to new lows for the year, and the Topix shed 0.76 to 1,229.38. In London the ISE/Nikkel 50 index put on

2.30 to 962.46. Weakness in overseas mar-kets on Monday prompted futures-linked arbitrage unwinding, but shares then recouped losses on heavy index-linked buying by investment trusts and dealers. Some traders found comfort in the fall in the overnight call rates, as a prelude to monetary eas-

ing by the Bank of Japan. However, overall activity by investors has dried up, and the low volumes leave share prices vulnerable to movements in the futures markets, and arbitrage activity. Ms Kathy Matsui at Barclays de Zoete Wedd said: "Most investors, especially the foreigners and individuals, have adopted a wait-and-see attitude." She added that investors will want to see some semblance of concern from the authorities shout the market's weakness before com-

ing back again. Dealers bought speculative stocks for short-term trading

Igian market closed July 21

purposes. Meiji Milk Products gained Y30 to Y930 and Taiyo Fishery Y6 to Y452.

Nippon Telegraph and Telephone fell Y4,000 to Y598,000 on selling by financial institutions, while bank issues weakened on sales by leading foreign brokerages. Industrial Bank of Japan lost Y20 to Y1,670 and Dai-Ichi Kangyo Bank Y10 to Y1,210. High-technology issues.

which dropped on Monday on fears of sharply lower profits for the current year, rallied on bargain hunting. NEC rose Y22 to Y808 and Sony Y70 to Y4,030, but Hitachi slipped a further Y8 to Y752 and Toshiba, the most active issue of the day, was Y8 lower at Y612. In Osaka, the OSE average dipped 17.18 to 18,351.07, declin-

day. Volume increased to 15.8m shares from 9.2m

### Roundup

TOKYO'S rebound gave support to most markets in the

HONG KONG ended moderately higher on strong buying interest in HSBC Holdings after its Marine Midland Bank division reported a turnround in first-half results on Monday. The Hang Seng index appreci-ated 23.95 to 6,010.44 in turnover of HK\$3.13bn.

HSBC added HK\$2 at HK\$54.5 and Hang Seng Bank climbed HK\$1 to HK\$53.

AUSTRALIA was helped by the rise in Tokyo. The All Ordinaries index improved 4.4 to 1,609.8. Resource issues remained weak, although gold shares continued to rally as the bullion price touched a seven-month high.

National Australia Bank attracted interest after announcing a takeover bid for Bank of New Zealand, the shares rising

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8 cents to A\$7.87. Westpac continued to suffer from an impending rights issue, closing 3 cents easier at A\$3.14.

NEW ZEALAND recovered some of the ground lost on Monday, the NZSE-40 capital index ending 5.08 better at 1,560.08 in turnover of NZ\$27.2m. Bank of New Zealand dipped 3 cents to 76 cents after National Australia's NZ\$1.48bn takeover bid.

MANILA finished lower after lacklustre trade. The composite index weakened 19.96 to 1,433.04 in combined turnover of 371.6m pesos.

TAIWAN rose, with paper issues stronger on reports of cheaper pulp prices. The weighted index, down more than 70 points in early trade, closed a net 11.43 up at 4.159.02. dollar weakens. (T\$22.88bn). Ban Yu Paper rose 30 cents to T\$18.90.

SINGAPORE declined, with some analysts noting that interest remained in over-thecounter Malaysian stocks. The Straits Times Industrial index shed 11.29 to 1,434.46 in volume of 54.58m shares. Falls led rises

by 124 to 102. KUALA LUMPUR's composite index out on 2.40 to 605.16 in active trade, concentrated in speculative stocks.

SEOUL staged a technical rebound, the composite index moving ahead 6.54 to 511.84. Turnover was still thin, at

Hyundai group shares were actively traded as six of the 17 listed group shares reached their daily upper limits. Hyun-dai Motor and Hyundai Precision and Industries added Won800 apiece at Won16,400 and Won17,500 respectively.

KARACHI fell for the fifth

straight session amid political uncertainty over democracy moves. The KSE index closed

# Continent stages a technical recovery

staged a technical rebound after two days of heavy losses. unites Our Markets Staff.

FRANKFURT was heartened by the dollar's gains after concerted intervention on Monday. the DAX index recovering 10.10 to 1,659.77. But investors remained on the sidelines as turnover eased from DM6.9bn to DM6.5bn.

From Bank Julius Bar in Frankfurt, Mr Michael Zapf gave investors some encouragement. "All cyclical indicators," he said, "suggest that the economic weakening which had been in progress since the second quarter of 1991 is over." The bank's charts on growth

of production and incoming orders show a turnround and the same cyclical pattern "is also showing for such still struggling industries as

Steels rose in concert yesterday, led by Klöckner-Werke, up DM2.50 to DM108.50, and Hoesch, DM4.10 higher at DM241.10. However, the sector has been anticipating economic recovery for at least the last three months, and domestic

FT-SE Eurotrack 100 - Jul 21 Hourly changes

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analysts are divided about its

Another cyclical stock, meanwhile, came unstuck. PWA tumbled DM19.50 to DM201.50 after forecasting that the 1992 dividend would be at least halved, and that net profits in the first six months had dropped by 89 per cent to DM6m on flat sales.

Lufthansa rose DM3.80 to DM113.80 in active trade on news that the government plans to sell all of its 52.95 per cent stake in the airline at some stage in the future. Lufthansa has been standing close to its 1992 low on poor profit

MILAN steadied after Monday's sharp losses but sentiment remained fragile. Dealers tile for the rest of the week. The Comit index eased 0.96 to 411.71 in turnover estimated at less than Monday's L139bn.

1122.53

Fiat, which tumbled 6.7 per cent on Monday, eased just L1 to L4,574 and recovered to L4,590 after hours. The telecom sector also found its footing. with Sip adding L15 to L1,047 and Stet unchanged at L1,445. The board of Iri is due to meet tomorrow to discuss the sector's reform and, in particular, how to reorganise the former ASST's assets.

There was still some fallout from Monday, however, with Ambroveneto suspended from trading temporarily because of excessive losses. The stock was eventually fixed down L69 at

PARIS ended lower after a

volatile day, as the CAC-40 finished 5.23 down at 1,762.67 on modest turnover of just under FFr2bn. Dealers said there was some buying of defensive and quality stocks, with Alcatel adding FFr6 to FFr624 and L'Oréal adding FFr17 to

Euro Disney fell FFr2 to FFr100. A report in a UK newspaper yesterday said that disappointing attendances and hints from British tour operators that they would drop the theme park from their programmes have prompted Euro Disney to restructure its

AMSTERDAM improved in spite of a lack of corporate news. The CBS Tendency index

finished up L00 at 117.6. News that British Airways was to take a 44 per cent stake in USAir had little real negative impact on KLM. The Dutch and UK carriers have been holding talks for months but the market had already discounted the possibility of a merger. KLM closed down 50 cents at Fl 32.00. Fokker improved F1 1.10 to F1 30.10 onhopes that talks between Dasa

ernment, which began on Monday and are scheduled to continue tomorrow, will be

successful.

Companies with strong US exposure performed well, with Hunter Douglas gaining Fl 2.50 or 4 per cent to FI 61.30.

ZURICH majored on blue chips, and the SMI index of leading shares added 29.5 to 1.785.1. Nestle bearers topping the active list as they rose SFr150 to SFr9,330.

Roche certificates came second in the list and rose SFri10 to SFr3,260. The pharmaceutical company said that it expected markedly higher current year profits after a 19 per cent rise in turnover for the first six months of 1992

STOCKHOLM recovered in thin trade, turnover dropping from SKr352m to SKr283m as the Affärsvärlden General

index rose 10.7 to 860.5.

Most Swedish blue chips with key markets in the US or products denominated in dollars rose, Volvo B recovering SKr5 to SKr338. Ericsson B SKr3 to SKr123 and Electrolux

# Oslo struggles to shake off its depression

# Karen Fossli reviews the prospects for the bourse as it languishes at a three-year low

SLO is finding it difficult to shake off the depression which has pulled the stock market down by 10.5 per cent this year, but domestic analysts believe that the second half will bring a change for the better.

On Monday, the all-share index hit a three-year nadir of 369.99, forcing 19 stocks to their lows for 1992. It finished at 378.11 yesterday. Oslo has been plagued by bad news carried over from last year, and the Bundesbank's discount rate decision last week has extinguished any glimmer of

The market is particularly sensitive to external influences, due to the high dependency of its blue chip industrial and shipping stocks on dollar-denominated export

Its industrial index has fallen by 4.1 per cent since the start of the year, but the ship ping sector has plunged by 30.2 per cent as shipowners struggle to cover operational costs, as charter rates sag and the

up to 20 per cent in revenue due to the weak dollar, analysts estimate. Domestic factors such as uncertainty over membership in the European Community (EC) and a slower than expected recovery in the economy have also taken their

toll on sentiment.
This holds true to a lesser extent for bank and insurance shares, whose poor performance this year can be attributed to the successive years of major losses and a general lack of confidence in the country's banking system, However, analysts believe that

banks have seen the worst. The failure of Uni Store brand, Norway's biggest insurer, to create a Scandina-

### SOUTH AFRICA

GOLD shares eased on concern that the bullion price might not be able hold its recent levels, following the dollar's recovery. The index fell 28 to 1.121. The overall index lost 8 to 3,429 while industrials

# FT-A World Indiose rebased 116 1992

vian insurance giant with Sweden's Skandia in an alliance involving Danish and Finnish insurers, has led to unrest in the market.

Uni's undesirable Skandia situation - a 28 per cent stake worth NKr4bn (£678m), achiev-

ing nothing - is inhibiting the company's own domestic equity investment, which in turn has sapped liquidity from the market. Uni's "A" shares, too, have been trading about 50 per cent lower at NKr25 since the end of last year.

Norway's domestic strength, in North Sea oil and metals, is producing cautious optimism. at best, for the second half. The country is Europe's biggest oil producer, alongside Britain, with crude output of about 2.1m barrels a day, but it is also a large exporter of light metals. It is no surprise, therefore, that the economy's health depends on oil prices and the

The caution is demonstrated by Statoil, the state oil company, which has mounted yet another cost-cutting campaign in which it aims to

trim NKr2bn from operational

stand low crude oil prices. However, Mr Tom Skiaerstad, a broker with the Oslobased Norse Securities, believes that the market has bottomed out and that there is hope for recovery in the second half. "Oil prices have firmed at around \$20 to \$21 a barrel, our political climate is stable and there exists a commitment internationally to support the dollar," he says.

On shipping, Mr Skjaerstad thinks rates for VLCCs (very large crude carriers) will firm in August and September, and that scrapping of old tonnage will continue.

Mr Tormodd Andreassen, managing director of Alfred Berg Securities in Oslo, dismisses the market's performance in the first half of 1992 as dismal but sees only gradual recovery in the second half.

"Financial consolidation in Norway has come a long way and this implies that consumption will pick up, leading to recovery," he says. "There will be some improvement maybe even more improvement than in other countries - but there will be no really solid gains in the capital markets, unless the dollar strengthens considerably and

German rates come down. Mr Andreassen adds that, this autumn, three outstanding political issues will affect the market:

 Parliament is meant to ratify the European Economic Area agreement, linking the EC and Efta, in which Norway is a member: an application to join the

EC will also be decided by the government; and in October an "election" budget" will be presented.

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# FINANCIAL TIMES CONFERENCES

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Figures in parentheses show number of lines of stock	US Doller Index	Day's Change	Pound Starting Index	Yen inde,	SM S	Local Currency Index	Local % chg on day	Gress Div Vield	US Dollar Index	Found Speritog Indian	Yen Index	DM indar	Lecal Correccy Index	15ph	1952 Law	(Sistem) e5o Aest.
Australia (69)	141.95	+00	110.24	112.39	109.85	126.56	+0.2	4.31	141,89	109.68	112.34	109.29	126.27	153.68	140.94	147.37
Austria (19)	156 31	0.5	121.39	123,76	120.96	121.27	+0.1	2.41	157.14	121,47	124.41	121.03	121.17	185,70	156,31	176.74
Belgium (42)	14B.58	- 1.3	115.39	117.52	114.98	113.22	+0.0	5.43	150.52	116.35	119.16	115.94	113.22	152.27	136.87	120.00
Canada (115)	127.62	- 1.3	99,11	101,04	98.76	110.20	~ 1.0	3.22	129.31	99 96	102.37	99.59	111.33	142,12	124.2	
Denmark (35)	237.59	+ 0.2	184 52	188 11	183.86	185.16	+0.4	1.90	237 14	183.31	187.75	182.65	184.49	273,94	226.81	22.4
Finland (15)	75.00	-20	58.25	<b>59.3</b> 8	58.04	63 82	~ 0.1	2.21	75.52	59.15	60.58	58.94	65.89	85.60	73.64	95.01
France (104)	155.88	- 0.6	121 06	123,41	120 62	122.99	~0.1	3.81	158.82	121.22	124.15	120,78	123.05	168,75	145.06	120.32
Germany (65)	122.45	-2.1	95 10	96.96	94.76	94.76	-1,6	2.43	125.04	96.65	99.01	98.31	98.31	129.88	114,67	107.49
Hong Kong (54)	250.67	-03	194 67	198,46	193.99	248 90	~0.2	3.29	251.30	194.25	198.96	193.57	249.32	259.55	176.36	167.86
Ireland (16)	158.21	+ 0.5	122.87	125,26	122.43	124.57	+0.7	4.24	157.48	121.72	124 67	121.28	123.68	173.71	151.78	152.25
Italy (78)	62.60	-0.6	48.77	49.72	48.60	53.04	-0.2	3.94	63,18	48,83	50.01	48,66	53,16	86.06	82.80	73.83
Japan (473),	96 36	+0.0	74 84	76.29	74.58	76.29	+0.0	1.12	96.32	74.45	76.26	74.20	76.26	140.95	85.70	127.4
Malaysia (69)	246.68	+0.7	191.58	195,30	190.89	237.47	+0.8	2.64	244.98	189.37	193.95	168.69	235.55	250.A7	212.49	228.18
Mexico (18)		-1.2	1132 34	1154,34	1128.31	4966.85	-12	1.21	1475.25	1140.35	1168 00	1136.28	5025.20	1789.77	1355.22	1142.67
Netherland (25)	162.13	-0.3	125 92	128.36	125.47	124.25	+0.4	4.51	162,60	125 69	128.73	125.24	123.71	167.29	147 M	138,77
New Zealand (14)	46.90	+0.3	35.42	37,13	36.29	45.46	+0.4	5.00	48.78	35,14	37.02	35.02	45.25	48.52	42.01	47.17
Norway (23)	168.71	+0.3	129.47	131.99	129.01	132.43	+0.6	1.90	165,15	128.44	131.58	127.59	131.66	192.95	161.28	198,88
Singapore (38)	209.64	-1.4	162.81	165 98	162.23	155.85	-1.1	2.13	212.53	164.28	168.26	163,69	157.68	223,83	192.76	199.54
South Africa (61)	203.08	-14	157.72	160.78	157.15	171.68	~0.4	3.00	205.95	159,20	163.05	158.52	172.68	263.60	197.04	246.83
	140.27	+0.6	108.94	111.06	108.55	101.48	+1.0	5.79	139.40	107.75	110.37	107.37	100.48	181.72	139.40	147.75
Spain (49)	187 58	+ 1.1	145.68	148,52	145.17	150.10	+1.4	2.71	185 50	143.39	146.87	142.88	148.08	200.26	173.09	193.87
Sweden (29)	110.65	+ 0.8	85.94	87.61	85.64	90.79	+1.5	2.36	109.74	84.83	86.89	84.54	89.33	113.88	95.99	93.25
Switzerland (62)	183.39	+0.0	142.43	145,18	141.91	142.43	+0.5	5.22	183 39	141.78	145.18	141.24	141,76	200.07	165.85	173.90
United Kingdom (228)		+ 0.1	130.88	133,43	130.42	168.52	+0.1	2.97	188.42	130.19	133.35	129.73	168.42	171,66	160.92	153.66
USA (522)	168.52	T U. I	130.00	100,40	100.92	100.32	T U. 1	2.31	100.72	-JU. 13	1,00.00	160.10	100,76	11 1,00	180.95	132.00
Europe (790)	147.90	-0.4	114.87	117,10	114,46	115.18	+0.2	4.20	148.43	114,73	117.52	114,33	114,98	156.88	139.31	136.95
Nordic (102)	174.55	+0.7	135.56	138,19	135.08	133,21	+09	236	173.37	134 01	137.26	133,54	131.99	188,52	169.68	187.20
Pacific Basın (717)	103.11	+0.0	80.08	81.64	79.80	82.89	+0.0	7.48	103 09	79.88	81.62	79.40	82.86	141.97	94.40	129,15
Euro - Pacific (1507)	121.23	-0.2	94.15	95.97	93.81	96.24	+0.1	2.82	121,43	93.86	96.13	93.52	98.14	145.21	113.80	132.57
North America (637)	165.95	+ 0.0	128.89	131,40	128.45	164.55	+0.0	2.98	165.96	128.29	131.41	127,85	164,54	159,69	158,70	152.67
	126.37	-0.6	98.15	100.07	97.82	99.42	+0.0	3.46	127, 15	98.28	100.69	97.95	99,47	132 98	121.81	115.01
Europe Ex. UK (562)	169.68	-0.1	131.78	134.36	131 33	151.30	+0.0	3.55	169.84	131.28	134,49	130.83	151.23	175.31	149.00	146,11
Pacific Ex. Japan (244)	123.17	-0.2	95.66	97.52	95.32	98.59	+0.0	2.82	123.46	95,44	97.76	95.10	98.65	146.91	116.45	134.60
World Ex. US (1701)	133 19	-0.1	103.44	105.46	103.08	117.79	+0.0	2 58	133,36	103.09	105.59	102.73	117.79	150.58	127.21	136,79
World Ex. UK (1995)		-0.1	106.50	108.58	106.13	119.59	+0.1	2.88	137.27	105.11	106.65	105.74	119.52	153.05	130.04	139.31
World Ex. So. Af. (2162)	137.13		124.63	127.06	124.21	145 30	+0.1	3.43	160.74	124.25	127.27	123.83	145.22	165,40	153.20	148.01
World Ex. Japan (1750)	160.48	-0.2	124.03	127.00	12.4.21	J -34	1 4.1	9470								
The World Inday (2223)	137 52	-0.1	108 81	108.89	106.43	120.07	+9.1	2.88	137.68	106.43	109.01	106.05	120.01	153.70	130.68	140.02



Thursday July 23 1992

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

# public spending

The UK cabinet yesterday agreed a tough new policy intended to tighten control of public spending. It will almost certainly mean significant cuts in some departmental programmes in the

1994-95 financial year. Ministers agreed to tie increases in public spending over the next three years to below the likely rate of growth in the economy as a whole.

Page 12 and Lex. Editorial Comment, Page 10

Spain may put up interest rate: The Bank of Spain may raise its key interest rate today in an attempt to bolster a tough package of fiscal restrictions announced on Tuesday. Page 2: Currencies, Page 32

Nestlé, Swiss foods group, has won European Commission approval for its FFr15.46bn (\$3bn) bid for Perrier. French mineral water group, in a move described by EC competition commis Sir Leon Brittan, as "a considerable victory for ... the consumer". Page 2; Water market flows,-Page 10; Source of change, Page 16

British Coal reported an overall £170m (\$325m) profit for the year to March, its biggest since it was nationalised in 1947. Productivity improvements and cost cuts were cited for the record result. Page 6; Observer, Page 11

Private TV station for Moscown US cable television group Turner Broadcasting System. which owns the CNN channel, is forming a joint venture in Russia for what it claims will be the first independent television station in Moscow.

italy's mini-budget: The emergency economic package raising an extra L30,000bn (\$26.5bn) to tackle Italy's deteriorating finances passed its first parliamentary hurdle and is expected to be completed by next Wednesday. Page 2; Interest to be paid on frozen Efim debt, Page 18; Editorial Comment, Page 10

UK water sell-off queried: Britain's water companies, which were privatised in December 1989 in deals raising 23.5hn (\$6.87bn), were sold far too cheaply, said UK parliamentary public

Compaq, US computer manufacturer, reported a 43 per cent jump in second-quarter net income and a shortage of parts because of strong demand:

Fullsankel, one of Japan's biggest media groups with interests including the Poji television network and a Tokyo radio station, ousted its chairman. former banker Hiroaki Shikanai. Page 4

Rebates to UK may be cuts The European Commission put to the Council of Ministers modifi-cations in the EC relates system which could slightly reduce the amount Britain gets back from its EC budget contributions. Page 2

Iran's banks clow to pay up: Iranian banks have been delaying payments on letters of credit. Bankers have put the delays down to temporary cash flow difficulties. Page 5

German self-offs accelerates A record. 562 former east German state companies were privatised in June, said Trephand privatisation agency president Birgit Breuel. But she admitted the agency's debts had risen to more than DM200bn

Palermo police chief sacked: Vito Plantone, police chief of Palermo, was dismissed following the car bomb murder of an anti-Mafia magistrate and five bodymards at the weekend.

Hoesch's 40 per cent improvements German steel and engineering company Hoesch, soon to be absorbed by Krupp group, reported a 40 per cent first-half increase in profits without giving details. Page 14

Benetton, Italian clothing group, suffered an unexpected blow with the announcement that Emilio Fossati is to step down as managing director. Page 16

Empty future for US offices: The US property market will take about 12 years to absorb all vacant office space across the country, says accounting firm Coopers & Lybrand. Page 16

German storm deaths: At least four people were killed when roads were flooded and homes caught fire after being struck by lightning in violent storms in southern Germany.

**Drug baron hides out in Jali:** Colombia's Medellin cocaine cartel chief Pablo Escobar was reported to be entrenched in a secret tunnel system in jail after the army had regained control of

estock market ind	ICES	STI	RUN	<u>a - · · · </u>
FT-SE 100: 2,387.9 Vield 5.12	(-27.7)	Row Yo	1,9855	(1,9095)
FT-SE Eurotrack 100 _1,960.97	(-14,67)	Londino		(12027)
FT-A All-Share1,143.78	(-1.2%)	[ \$	1.9835	(1.909)
FT-A World Index135.58	(-1.4%)	DM	2.8325	- (2.8425)
Nikkei15,541.95	(-460.46)		9.57	(9.6025)
New York:	•	SFr	2515	(2,5275)
Dow Jones Ind Ave3277.61	(-30.8)	γ	241.5	(239)
S&P Composite410.93	(-2.83)	£ Index	91.8	(91.9)
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FINANCIAL TIMES <sup>©</sup> FT No 31,817 Week No 30 Φ

# UK cabinet orders Hurd tries to defuse **EC-UN row** on Bosnia

Editor, in London

MR DOUGLAS HURD, the British foreign secretary and current president of the European Com-munity, flew to New York last night in a bid to defuse a simmering row between the United Nations and the European Community over their peacemaking roles in Bosnia.

Mr Hurd's trip followed the publication yesterday of an unusually outspoken report by Mr Boutros Boutros Ghali, UN secretary-general, to the Security Council, in which he advised the council to reject the EC esasefire plan for Bosnia. The plan was agreed by the three warring parties in London last Friday under the chairmanship of EC mediator Lord Carrington.

Mr Hurd is breaking his journey to Manila, where he is due to attend an EC-Asean ministerial meeting, for urgent talks with Mr Boutros Ghali aimed at restoring EC-UN co-operation and saving the EC's peace conference on Yugoslavia.

Mr. Boutros Ghali said, in particular, that the necessary conditions did not exist for him to recommend acceptance of the request that the UN should supervise the heavy weapons of

The UN secretary-general's report is the latest episode in a public exchange which belies his previous reputation of a retiring and pliant international bureaucrat, unlikely to take issue with organisation.

He had already sharply criticised both the European Community and the Security Council in a letter sent to members of the Council on Tuesday, which spelt out in plain language that they took no account of the practical difficulties faced by the UN on the ground when they gave their political orders.

Mr Bottros Ghali's report cited questions of principle as well as

practical reasons for opposing the weapons supervision operation by the UN in Bosnia. The London ceasefire agreement, which in any case was a dead letter from the moment it was signed, raised the whole question of the rela-tionship between the UN and regional organisations, such as the EC, in the maintenance of

international peace and security.

The relevant chapter of the UN Charter underlined the primary responsibility of the Security Council in such matters, stating that, in certain circumstances, it could make use of regional organisations or agencies. There is no provision for the reverse to occur," the report said, clearly referring to the EC peace conference's demand for the UN to

monitor heavy weapons.
"The United Nations did not participate in the negotiation of the London agreement. Only on the eve of its signature were my staff informed of the request it was likely to contain and given the opportunity to draw attention to the practical constraints on the UN Protection Force's ability to carry out this task," the report said. "It is most unusual for the UN to be asked to help implement a politico-military agreement in whose negotiation it has

played no part." In reply to the UN secretarygeneral's criticisms, Lord Carrington has repeatedly stressed that the EC peace conference merely made a "request" to the UN. Moreover, that request came from the warring parties and as his own or the EC's "plan." Mr Boutros Ghali said that the

additional functions the UN force had been asked to perform were "simply beyond its present operational and logistical capability." It would take at least three months to deploy all the personnel and equipment needed to carry out the weapons supervision operation in Bosnia.

Destroyer demand, Page 2

Ready to lead presidential campaign: US secretary of state James Baker in Cairo yesterday

# Bush waits for Baker to work his political magic

very certain."

ran with Mr Bush it would be

MR JAMES BAKER has the reputation of being a political magician. If he pulls President George Bush's re-election campaign out of its present troubles he will instantly be promoted nto the miracle-worker clear

That the secretary of state is to return to the White House soon to take charge of the campaign and domestic policy is "a done deal," whatever Mr Baker's or others' protests to the contrary. The move has been expected for weeks. Mr Bush's substantial trailing of Governor Bill Clinton. the Democratic nominee, has rendered inevitable a repeat of 1988, when Mr Baker left the Treasury to manage the Bush effort. Mr Bush was trailing then, too, but by a narrower

margin than now. Mr Baker is on a trip to the Middle East and Asia. The shift may not be formally announced until after Mr Yitzhak Rabin, Israei's new prime minister, comes to Washington next month, a visit with domestic political connotations just before

the Republican party convention. Mr Lawrence Eagleburger, Mr Baker's deputy, is likely to be appointed acting secretary of president up to 120 days to nominate a permanent replacement, allowing him to avoid a potentially difficult confirmation process in Congress before the November 3 presidential elec-

Mr Clinton was quick to argue that transferring Mr Baker demonstrated the limits of Mr Bush's commitment to an active foreign policy, at a time when Israel's change of government opened new possibilities of progress in the Middle East.

Mr Baker will come in over the heads of Mr Sam Skinner, the White House chief of staff, and Mr Robert Teeter, titular campaign chairman and also an old friend. Neither will object to being superseded.

He may bring with him some of his inner circle of advisers at the State Department, including Ms Margaret Tutwiler, the spokeswoman, and Mr Robert Zoellick, the counsellor who, in effect, takes charge of international economic policy.

The toughest immediate issue for the campaign has been whether Vice-President Dan Quayle remains on the Republican ticket. Mr Quayle, whose selection by Mr Bush in 1988 did

not meet Mr Baker's approval, is easy to overcome objections that ditching Mr Quayle was an act of unpopular except with party conservatives. One poll this week reported that 60 per cent of those questioned would not mind if he However, Mr Baker himself is

were replaced, and he is matchambitions and he may be relucing up badly with Senator Al tant to advance the cause of Gore, Mr Clinton's runningpotential rivals by promoting But Mr Bush yesterday the ticket. They include Mr Dick Cheney, secretary of defence, appeared to scotch rumours that Senator Phil Gramm of Texas, Mr Quayle might be dumped. Asked by reporters if Mr. and Governor Pete Wilson of Quayle's status was uncertain. California.

Mr Bush responded: "No, it's The overriding task, in any se, is to transform Mr Bush The choice of any replacement into a candidate in whom the for Mr Quayle would be tricky. But if General Colin Powell, country can have confidence for four more years. Mr Clinton is making all the running. chairman of the joint chiefs of staff and hero of the Gulf war,

Baker praises Israel, Page 12

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# **US** raises pressure on defiant Baghdad

By George Graham in Washington and Mark Nicholson in London

THE US yesterday stepped up pressure on Iraq by warning that military force if Baghdad continued to defy a team of United

Nations weapons inspectors. Mr Marlin Fitzwater, White House spokesman, said the US was "increasingly concerned" by Iraq's continuing defiance of the UN, and said Baghdad must be beld accountable for "stonewalling UN inspectors who are trying to identify and destroy Iraq's

weapons of mass destruction". US officials have grown increasingly frustrated at President Saddam Hussein's testing of the UN's determination to enforce the Gulf war ceaselire resolutions.

The US and its allies have repeatedly threatened military action in the past, usually forcing Iraq to back down at the last minute. Mr Fitzwater acknowledged that the US had issued similar warnings, but said the current stand-off was "about as serious as any we've faced".

The warning, echoed in London by British officials, came as the UN team, which has been barred from entering the ministry of to end a 17-day vigil in front of the building because of fears for

its safety.

Mr Rolf Ekeus, head of the UN special commission into Iraq's weapons programmes, said there imminent or unfolding" against the UN team following several days in which it had been harassed by Iraqi demonstrators. UN officials insisted that the UN inspectors had not abandoned their demand to enter the building, but Mr Ekeus admitted that their monitoring had been 'severely weakened'

He said Iraq had refused to allow a UN helicopter to survey the building, believed to contain chemical, biological and nuclearrelated weapons materials

The latest confrontation, which follows a series of attacks on UN troops and offices in northern Iraq, is encouraging the view among the Gulf war allies that Mr Saddam has moved beyond the pattern they characterise as "cheat and retreat".

# **CBS** chief in talks for Canary Wharf

Houlder in London and Alam

MR LARRY TISCH, the billionaire US chairman of the CBS television network, has had talks with Mr Paul Reichmann about making a joint rescue bid for Canary Wharf, the financially troubled east London property development.

Financiers with a close know-ledge of both Mr Reichmann, who created the 4.5m sq ft docklands development, and Mr Tisch confirmed that discussions have

been taking place. Canary Wharf is in administration under UK insolvency procedures. Bankers to the project fear it will be liquidated unless a successful takeover bid can be made before the end of September. Mr Tisch's net worth has been

estimated by Forbes, the US financial magazine, at \$1.4bn (£730m). Apart from controlling CBS, Mr Tisch is also chairman of Loews Corporation, the family group that had \$13.6bn of turn-

into Docklands will be built. Like other potential investors in Canary Wharf, he believes that the prospect for the development will be vastly improved if the line is built. But he is reluctant to make the £170m private sector contribution to the line's costs

which has been demanded by the UK government. However, Mr Reichmann is understood to be hopeful that a deal can be struck.

în a separate development, it also emerged that Britain's second biggest property company. MEPC, has examined whether it should participate in a bid for Canary Wharf but has decided against any financial involvement with the project.

Potential bidders who remain interested include the Richardson Brothers, the Midland's based property developers, who said they would be interested in joining a consortium bid. Mr Don Richardson said: "I think Canary Wharf is the steal of the cen-

Other possible participants in any bid, with or without Mr Reichmann, are Hanson, the UK conglomerate, and British Land, the property company.

The deadline for putting together a takeover package is probably the date of any decision by the government on whether to build the Jubilee line, since with-

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### over last year and has interests in insurance, cigarettes, hotels. watchmaking, shipping and oil and gas drilling. However, a final decision on

European News ... International News

World Trade News ..

whether to participate has not yet been taken by Mr Tisch. He is thought to be concerned about committing his capital while it remains uncertain whether the Jubilee Line extension

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...33-38 ..... 28-32

LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Mr Jose Maria Mendiluce, special envoy of

the UN High Commissioner for Refugees

We are not expecting a massive return of population to their place of origin

(after the war). We are witnessing...a growing conviction among the people that the situation will never be as it was," he

# clears bid for Perrier

and Guy de Jonquières

NESTLE, the Swiss foods group, has won European Commission approval for its FFri5.46bn (£1.58bn) bid for Perrier, the French mineral water group, but will have to give up several brands to a new "third force".

It has agreed to sell the Vichy. Saint Yorre, Thonon and Pierval brands, as well as an unspecified number of other unnamed sources to a single buyer to create a viable competitor. The brands - which have to be sold before a set deadline - represent some 20 per cent of French mineral

Sir Leon Brittan, EC competition commissioner, yesterday hailed the Commission's decision as "a considerable victory for the consumer" and a landmark in Brussels' rapidly evolving merger control policy.

the first time that the EC merger control authority can take into account the impact of duopolies and oligopolies - where more than two groups dominate a market - in its investigations.

But sceptical competition lawyers pointed out that the decision still leaves more than two-thirds of French mineral water production in the hands of a duopoly - Nestlé and BSN, the French foods group which will buy the Volvic brand from the enlarged group. "This is yet another 'deal' [between the Commission and companies]," said Ms Diana Good, a partner with the law firm Linklaters & Paines in Brussels. "There's no doubt that the time is ripe for one of these merger regulation cases to be challenged before the European Court. The question is who is going to do it?"

Source of change, Page 16

# Change in UK rebate outlined

By David Buchen in Brussels

THE European Commission yesterday put forward options which could slightly reduce Britain's future rebates on its EC budget contributions, but stressed it was for the Council of Ministers to decide. Since 1985, Britain has

received back each year twothirds of the net difference between what it pays in and what it gets in return.

The Commission is not proposing any change in this 66 per cent rebate but suggests a possible modification to how the gap is defined. This rebate is paid in recognition of the fact that Britain, with slightly less than average EC income per head. makes the second largest gross revenue contribution while getting relatively little EC money back in the form of price support for its small

The current system could be maintained, the EC executive says, in which case the level of the UK rebate, expected to total Ecu2.27bn (£1.6bn) this year, "would remain roughly

**Brussels** 

moves on

air control

By Andrew Hill in Brussels

THE European Commission

yesterday restarted the pro-

cess of nudging EC member

states towards a single air

traffic control system and relieving congestion in the

Commissioners adopted leg-

Islation aimed at harmonising

and integrating air traffic con

trol equipment in Europe's 54

control centres. The centres

currently use 31 different and incompatible technical systems and 70 different com-

puter languages. Under the Commission's

plans, new surveillance, navi-

gation and communication

form to a single set of stan-dards developed by Eurocon-

trol, the 14-nation air traffic

control organisation based in

The Commission has already

tried once to persuade member states to harmonise the com-

plex European system. Three directives were produced in

1988, with broadly the same aim, but they were rejected by EC ministers keen to protect sovereignty over their own air-

space. Now, according to Mr Karel Van Miert, the EC trans-

port commissioner, the time is

"Little by little, the member

states have begun to change

their minds," he said yester-

day. "They now recognise that

the Community has an impor-

In March, transport minis-

ters from the European Civil

Aviation Conference (ECAC)

outlined a plan to improve the air traffic control system, and

last week European airlines

called on the European author-

ities to act quickly to relieve

congestion. But Mr Van Miert

made clear yesterday that

progress would be gradual and

that this directive was only

the first step.
Delays and cancellations

have now become a notorious

ripe for a new excert.

tant role to play."

the same in constant Ecu fig-ures", despite the planned growth in the EC budget over the next five years.

The Commission proposes two possible modifications. Any changes would have to be decided by unanimity, thus giving the UK a veto.

One is to take out of the calculation of Britain's net budgetary gap whatever the UK pays into the cohesion fund proposed for poorer countries. This would reduce the rebate, though not by very much, EC officials said.

The second possible change would be to reduce the share of the UK rebate shouldered by Germany, which makes by far the biggest net contribution (Ecu9bn this year) to the budget. Bonn is already excused one third of its share of the UK rebate, and is pushing for a further reduction.

Such a change would not necessarily reduce the UK rebate, provided other countries were willing to take up Germany's reduced contribution to it. But their readiness

THE Amato government's

emergency economic package

to cope with Italy's deteriorat-

ing finances yesterday passed its first parliamentary hurdle. The chamber of deputies

agreed by 294 to 228 that the

decree containing the eco-

nomic measures could be

passage for the mini-budget, raising an extra L30,000bn

The entire parliamentary day decided to support it.

accorded urgent status.

# **NEWS:** EUROPE

By Laura Silber in Belgrade

MR Slobodan Milosevic, the president of Serbla, yesterday accused the international community of trying to bring Serbia to its knees and to "tear Yugoslavia apart".

Mr Milosevic, in a rare public appearance, said the political motives behind international sanctions were "to force Serbia...to accept humiliating terms and give up the chance to show solidarity with Serbs in other republics"

Speaking to politicians in Leskovac, south-eastern Serbia, a region of traditional support, he blamed the international community for "foisting a war on the former Yugoslav republics in order to break up Yugoslavia".

He warned that it was "most important to eliminate the danger of war in Serbia" and lashed out at Serbia's opposition parties for "serving the interests of the rich and mighty" - a reference to the

international community. While he denied that Serbia was aiding Serb fighters in

THE United Nations, already pouring relief supplies into Bosnia, fears that win-

ter hardships could force a million more

people to leave their homes in the newly-

independent Balkan state and become ref-

"We are already assisting 2.5 million people (from Bosnia) and we are terrified at the way this conflict is evolving," said

ugees, Reuter reports from Sarajevo.

porting the war, but in the sense of...the just battle of the Serbian people in the former Yugoslavia . . . for an equal position in every aspect".

His comments came after Mr Alija Izetbegovic, the president of Bosnia, formalised an agreement with Mr Franjo Tudiman,

backed forces if international efforts to end the bloodshed fail. The two leaders "urged the UN, the US and the EC to undertake real and effective measures to stop the aggres-

Mr Izetbegovic has pressed

the president of Croatia, to for foreign military interven-fight together against Serbian tion to aid the mostly Moslem forces loyal to the Bosnian gov-His agreement with Mr Tudi-

man appears partly to reflect his loss of faith in international efforts to end the war, a western diplomat said.

search of food, warmth and safety.

The UNHCR has called a conference in

Geneva next week to ask the world com-munity for more support and to establish mechanisms to deal with the crisis.

"Izetbegovic is over a barrel.

terday warned that the escalated fighting could jeopardise the international relief effort. The thread is getting very thin that's holding this UN FEARS A MILLION MORE BOSNIAN REFUGEES

together," said Canadian Gen-eral Lewis MacKenzie after an encampment of 350 Canadian Mr Mendiluce said a big fear was that peacekeepers came under moras winter approached, hundreds of thouar and gun fire. Sarajevo radio reported fighting in Dobrinja, a suburb of sands more civilians would try to leave their bombarded towns and cities in

to wonder what Croatia's

long-term plans are, he

depends on support from Cro-

atian forces in Bosnia," he

UN officials in Sarajevo yes-

mi

Sarajevo near the airport. It said one person was killed and several buildings were ablaze in the centres of Sarajevo and



Decisions attacked: Helmut Kohl (right) and Foreign Minister Klaus Kinkel yesterday defended the German role in Yugoslavia

the budget was announced on backed by Mr Carlo Azelio

# SPD demands destroyer pull-out

By Christopher Parkes in

GERMANY'S Social Democrat (SPD) opposition yesterday called for the immediate withdrawal of federal troops from the allied force monitoring the United Nations trade embargo against Serbia and Montene-

It also urged the government to press for war crimes charges to be prepared in the UN against Serbian leaders whom it accused of "genocide" in Bosnia-Hercegovina. In a sustained attack on the

Bonn cabinet's decision last

(£13.9bn), is now expected to be completed by next Wednesday, according to a timetable agreed

The government, headed by

the Socialist prime minister,

Mr Giuliano Amato, has a 16-seat majority with the backing

of the Christian Democrats,

Socialists, Social Democrats

and Liberals. In addition, the

small Republican party yester-

been remarkably muted since

The political parties have

by the 16 political parties.

three aircraft to join other Western European Union and Nato forces in the Adriatic, Mr Hans-Ulrich Klose, leader of the SPD parliamentary party, said the mission was unnec sary and would be of no help to the people of the former Yugo-

Surveillance could be carried out equally well by satellites or the secret service, he told Bundestag members called back from holiday for a special sitting

The cabinet's decision to send the forces without full consultation was a snub to par-

July 17, even though tradi-tional privileges of patronage

in a slimmed-down state sector

In part, this reflects internal

divisions within all the main

parties. But Mr Amato also

appears to be having some suc-

cess in persuading them there

is no viable alternative but to

approve the package if Italy

Wishes to regain international

credibility and improve its

are under threat.

expand Germany's global military role in defiance of the constitution, he declared.

The SPD group agreed on Tuesday night to appeal for a ruling at the constitutional court in Karlsruhe. The government firmly defended its position, citing the use of German forces in non-interventionist supporting actions

going back 30 years. Mr Wolfgang Schäuble, leader of the governing group of Christian Democrats and the Christian Social Union, said he was confident the court would back the move. To be able to

Clampi, the governor of the Bank of Italy, who addressed

The most visible opposition

has come from the trade

unions, whose leaders met Mr

Amato and the government

economic team vesterday. As a

sop the government may cut

the increase in social security

contributions for salaried

workers from 0.8 per cent to 0.6

per cent and modify proposals

parliament on Monday.

week to send a destroyer and liament and an attempt to take part in the future European union, Germany had to be able to play a full role in common security and foreign polices, he said.

Whatever the ruling, it will help clear the foggy constitu-tional position, and prepare the ground for change. The SPD has proposed changes which will limit German forces to peace-keeping missions under the auspices of the United Nations.

The government, which has made no specific proposals, wants a full commitment to both peacekeeping and peace-

Italian mini-budget gets accelerated passage the lower paid. But last Satur-

day the three main union confederations could only muster a crowd of 8,000 in Rome to Mr Waigel said Germany Confindustria, the employers confederation, whose representatives also met the government yesterday, is prepared to back the measures provided Mr

guarantees for payment. Mr Heinrich Hornef, the board member of the Trenhand responsible for finance, said the Russians were seeking to obtain "special arrange-ments" from the Germans, which diverged from interna-

"They are also trying to set an unrealistic exchange rate for the rouble," he said.

industrial companies are des-perately in need of east German spare parts, plant and equipment. Seventeen ships ordered by former Soviet shipping lines and worth DM850m are still at east German shipyards awaiting payment.

# Treuhand announces record sales criticises in June

By Leelle Colitt in Berilm

MRS Birgit Breual, president of the Treuhand agency, yes-terday announced that a record 562 former east German state companies were privatised in June, but admitted the agency's debts had mounted to nore than DM200bn (£68.9bn).

The German Finance Ministry recently estimated that by the time the federal government and states assumed the Treuhand's debts, at the end of 1994, they will have risen to DM250bm. This estimate now appears on the low side as the Trenhand increasingly turns to costly restructuring of unsaleable companies which it nonetheless believes are via-

Mrs Brunel said that in addi-tion to the debts, there were substantial charges arising from extensive ecological damage by east German compa-

By the end of June, 8,175 companies had been priva-tised, while 4,340 companies ander the Trenhand umbrells remained unsold. Proceeds from the privatisation amounted to DMS0.7bn and the buyers had pledged to invent DM144bn and guarantee

Mr Theo Waigel, the German finance minister, said after conferring with Mrs Breuel main issues was the serious effect the collapse of orders from the Soviet Union was having on struggling east Ger-

He blamed "internal Russian conditions" for the lack of concrete orders despite the German government's recent approval of DM5bn in Hermes export credit guarantees this year for east German companies exporting to the Common-wealth of Independent States

had done everything possible to facilitate east German deliveries to the CIS. The Russians, however, were neither signing contracts nor giving state

tional practice.

The haggling over condi-tions is taking place even though Russian and Ukrainian

# NEWS IN BRIEF

# **Britain** Iberia aid decision

BRITAIN yesterday attacked a European Commission decision to approve a Ptal20bn (\$1,252) capital increase and restructuring plan for Spain's stateowned airline Iberia, write Andrew Hill in Brussels and Daniel Green in London.

Brussels gave its approval after Madrid promised to use the funds to renew Iberia's fleet rather than buy stakes in other Community airlines. It will also alter the loss-making airline's statutes in line with EC air transport liberalisation plans. The Commission said this should be the last subside. Lord Caithness, UK aviation

said Mr Karel Van Miert. transport commissioner, had agreed state aid could be allowed if it might equally have come from a commercial organisation. "Yet within days the Commission has approved vast injection of state aid to Iberia which surely no private sector company would have

### German money **270ws at 8.7%**

The rapid growth in German money supply, which led to last week's increase in the continued in June, the bank said yesterday, writes Christopher Parkes from Bonn.

The broad M3 measure grew at an annualised 8.7 per cent, compared with a revised 8.8 per cent in May. Bank lending to the private sector increased by more than 11 per cent in the six months to the end of June, compared with "a good 12 per cent" in the six months to the end of May, the bank noted.

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### Unemployment to rise in EC

Unemployment in the European Community will rise from an average 9.5 per cent this year to 9.7 per cent next year, the Commission forecast in its annual employment report yesterday, writes David Buchan

in Brusseis. Ms Vasso Papandreou, employment commissioner, said targets for economic convergence and fiscal austerity in the Maastricht treaty, should not be achieved at the expense of unemployment.

### Help pledged for Albania

The world's 24 richest nations promised yesterday to relaunch Albania's battered economy and cover its food needs for the coming months, Reuter reports from Tirana.

### Milan bourse at new low amid growing pessimism By Heig Simonian in Milan Bank of Italy climbed to 17.56 per cent concern about the lira, possible further Milan political corruption scandal, were among the hardest hit. Premafin, Mr TTALY'S hard-pressed equity markets

suffered a further blow yesterday with the Milan bourse sinking to a new low for the year, while money market interest rates continued to surge. The Comit index of shares fell by 0.47

per cent to 409.76, its lowest level since October 1985. Rates for banks' securities repurchase agreements (repos) with the

from 16.02 on Friday.

Analysis blamed the movements on

pessimism about Italy's economic and political prospects, which has over-whelmed any fundamental factors about the health of the corporate sector. "Uncertainty is what drives the market crazy, and we're at the height of uncer-tainty at the moment," said one.

interest rate rises and political instabil-ity before parliamentary votes later this week on the mini-budget and privatisation. Italy's credibility has also been hit by the poor handling of treatment for creditors of Efim. the state holding company which is to be wound up.

Shares in companies linked with Mr Salvatore Ligresti, the Sicilian property magnate arrested last week in the

Ligresti's main holding group, tumbled 3.4 per cent to L7.100. Dealers were pessimistic about equi-

protest against these.

asked to make up.

Amato does not give ground to

the unions which they are then

Editorial comment, Page 10;

ties and the economy. "Foreigners are already out of the market; it's Italian funds which are selling now on account of high redemption pressure from inves-

See World Stock Markets

# East European consumers take national shape

have twice as many freezers as Poles. On the other hand, Poles, on average, have twice as many video-recorders as Czechs and Slovaks.

European Russians stand twice as much chance of having a domestic telephone than Hungarians. But none of the newly independent east European countries can boast more home satellite dishes than Hungary.

These findings appear in "The East European Consumer'\*, a report published yesterday by Mintel, the UK's leading market research ana-

Mintel questioned about

households were the most likely to be equipped with the more basic consumer durables. such as a washing machine and television, while European Russian and Bulgarian homes came bottom of that particular When it comes to one of the

greatest status symbols of all · a personal motor car - the picture in east Europe is as varied as with other luxury items. Car ownership is at its highest in Czechoslovakia and Hungary, with 207 and 204 cars per thousand inhabitants respectively; in Russia the figure is closer to 84. By contrast, feature of air travel in Europe.

Mintel questioned about car ownership is about thousand people in the US and car ownership is about 600 per

the sample having a sporting recreation, against just one in ten Bulgarians, who topped the list for those spending time in

vakia and European Russia. Mintel also tried to gauge more intangible aspects of life for the region's consumers, by asking questions designed to ascertain feelings of optimism versus pessimism, and of being risk-inclined or cautious. It found that while "there is considerable variance in the responses", the overall view from the region was one of "cautious optimism". Opti-

mism about future economic

cases and bars. Listening to

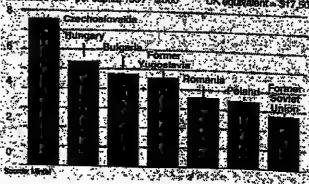
Western radio was found to be

most popular in Czechoslo-

risks - perhaps, hazards the study, because "they certainly have the best equipped house-holds in the survey" - while the Polish sample indicated the highest number backing riskinclined statements such as: "There's not enough excitement in my life" and "I would gladly live in another coun-

Mr Peter Ayton, Mintel's senior European analyst, said that while crucial statistics, such as those relating to personal disposable income, were either inaccurate or unavailable, the study offered a "guide to the relative prosperity of the

Comparative standard of living Estributed GDP per capita, 1991 S000 LIK Soutpalant 317 500



population of some 328m, range of economic data, from gross domestic product per capita to washing machines and other consumer durables

\*The East European Consumer against the EC's 327m – 1992; published by Mintel Inter-the study pinpoints a wide national Group, 18-19 Long Lane, London ECIA 9HK. Price £1,295, or separate reports on Czechoslovakia, Poland, Hungary, Bulgaria and European The Financial Times (Europe) Ltd
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By Gary Mead, Marketing Correspondent just over 400 in the UK. garia, Czechoslovakia, Hunprospects was found to be at gary, Poland, and European Russia, from a wide range of The survey also revealed its highest in Hungary and widely different attitudes on Poland, and reached lowest ebb ULGARIANS may not occupations and locations. leisure activities. Czechosloin European Russia. have much to cheer about, but at least they The survey suggested that Czech, Slovak and Hungarian vaks were found to be keenest Czechs and Slovaks evinced on sport, with one in four of the least inclination to take

# Interest rate rise on cards in Spain

By Peter Bruce in Madrid

THE BANK of Spain may increase its key interest rate. the intervention rate, at today's tender of certificates of deposit in an attempt to add monetary muscle to a tough package of fiscal restrictions announced by the government on Tuesday night.

The central bank intervened sterday to reduce liquidity in the interbank market by selling short-term instruments at 12.75 per cent, up from and 12.5 per cent last week, leading to speculation that it

was signalling an imminent rise in its official intervention rate, which stands at 12.4 ner

Analysis do not believe the peseta's controlled slide against the D-Mark in the past few weeks justifies an interest rate increase. But they say the government may be looking for an adjustment in monetary policy to boost the effectiveness of a series of tax increases and budget cuts designed to trim \$3.26bn off its runaway public deficit this

age, Madrid has decided not to introduce a new low tax salaries each month. regime this year, meaning that Spaniards will be paying up to 8 per cent more tax for 1992 than they had expected. The country's ton marginal rate remains at 56 per cent, one of

Community.

The government announced in addition that it was bringing forward an increase in value added tax from 13 per cent to 15 per cent from January 1993 to Angust 1. It is also

the highest in the European

Mr Carlos Solchaga, the

finance minister, also announced cuts in central gov-ernment capital and current transfers affecting most ministries but particularly Defence and Public Works, worth some \$1.4hn for the rest of this year. A freeze on hiring in the

public sector, fines for abuse of rules guaranteeing medicines to pensioners, and a measure to force employers to

been introduced to stem a 48 per cent overspend, by the end of June, in the planned central vernment budget deficit. Mr government outget utilities. Solchaga conceded that a worsening economic outlook in Spain meant the economy would grow at around 2 per cent or less this year, comnared with the 3 per cent projected in March.

mean inflation of 6.8 per cent for the year, wide of its 5.5 per powerful argument for

# The list of projects is long, but the money is short, writes Tom Burns

THE chief planning executive at Spain's Public Works minis-try, Mr Carlos Alberto Zaragoza, says international finan-clers queue outside his office. "From BNP to NatWest, from Goldman Sachs to Indo Suez,

they all want to see me."

Mr Zaragoza has only himself to blame if his appointment book is full. In a series of recent presentations to invest ment banks he has outlined domestic infrastructure investment of Ptal5,000bn (\$159.5bn) through to the year 2007 and explained that only some Pta8,000bn-Pta9,000bn of the total will be provided by the central budget.

The presentations deliver a very simple message: the gov-ernment has an enormous public works shopping list, it has very little money to spend on it, and it wants the private sector to provide the balance. The bottom line is that the Public Works Ministry is putting the final touches to the creation of an autonomous agency which will channel project finance into the nation's infrastruc-

"The ministry seems to be quite clear about the need for such an agency." says Mr earch at Iberagentes, a Mad-Credit Suisse. "It also has

# Madrid seeks private cash for public works

The shopping list would make even a government with a budget surplus blanch. Mr Zaragoza's priorities are: A second national road plan which will add 4,000km of motorways in the course of the 1990s to the existing 6,000km

high quality road network. • A 10-year programme to bring water treatment in Spain up to European Community standards - 60 per cent of the population receives either deficiently treated or wholly

untreated water. • Large railway investment involving an upgraded commuter line network to serve Madrid and high-speed track linking Madrid with Barcelona and the French high-speed rail-

A Pta120bn-Pta150bn enlargement of Madrid's Bara-

concerned about the road plan.

**Building the new** motorways requires the government to abandon a key tenet in its. approach to road

transport.

and the cost of railway networks and airports is likewise to be passed on to those who make use of such facilities. Building the motorways, however, requires the government to abandon a key tenet in its

approach to road transport. "The government had always said that the public sector had sole responsibility for building Mr Zaragoza is especially the road network and that

FG. Neither principle can now be maintained because "the government has not got the

Mr Guillermo de la Dehesa, a former senior Finance Ministry. official and now chairman of Banco Pastor, says the govern-ment's refusal to have motorists pay for roads while airport passengers paid for airports is "illogical". The author of a recent pamphlet on extra-budgetary infrastructure financing, Mr de la Dehesa says the government is facing up to "a radical departure from its pre-

The prime minister, Mr Felipe Gonzales, has already warned that the 1993 state budget will be extremely restric-Finance Ministry's policy paper on the convergence of Spain's economy with those of the country's richer BC partners, the deficit should be reduced as a percentage of

every year for investment in infrastructure but this chapter health service, education and professional retraining. Analysts say it is not clear how expect from the state, and suspect Mr Zaragoza will have to tan the markets even more

than he is willing to admit. The likelihood is that as early as September the expected project finance agency will be preparing to issue its first infrastructure bond. The first issue, raising Pta50bn-Pta70bn, is expected to finance a 108km motorway linking the Basque industrial centre of Bilbao and the city of Santander, further west along the Cantabrian

The issue could be guaranteed by a toll or, more probably, by a new annual infrastructure tax. The latter would either be levied on Spanish car be added on to petrol prices.

Analysts expect that such a bond will incorporate generous



Lisbon is hoping that the gloom that has descended following the Danish "No" vote on the Maastricht treaty will not last long

# Maastricht clouds cast shadow on Lisbon

# Portugal has much to gain from fuller European union, writes Patrick Blum

remains firmly committed to European union and deepening integration. For the Portuguese government, ratification of the Maastricht treaty is part and parcel of its ambitious plans for accelerated economic convergence with its richer northern partners. The treaty's survival, in one form or another, is therefore of key importance to Portugal which was stunned by Den-

mark's "no" vote last month. The Danish rejection gave hope to the small band of Portuguese Euro-sceptics who see Maastricht's plans for deeper integration as an attack on the country's sovereignty. Ireland's "yes" vote restored official confidence, though the government could rely on the European Community's enduring popularity. Polls consistently give over 60 per cent of Portuguese voters in favour of ratification with only a small minority - well

under 20 per cent - against. There are good reasons for the Community's popularity. As the poorest member state when it joined in 1986, Portugal has received massive EC aid. Between 1986 and 1990, Portugal received Ecu2.9bn (\$3.7bn), representh 1.6 per cent of its gross domestic product, in structural funds alone.

Under the Community Support Framework programme agreed in October 1989, Portugal is set to receive Ecu 7.368bn for the period 1989-93, equivalent to 3.5 per cent of its GDP, and representing a subsidy of close to \$1,000 per inhabitant. In addition, soft loans from the European Investment Bank and other EC institutions could reach Ecu 2.8bn. Portugal expects EC aid to double when the Community's next financial package for 1993-97 is agreed. The impact on one of Europe's poor-

est nations has been dramatic. Domes-

COUDS MAY have gathered tic and foreign investment has rocketed and the economy grew more than 4.5 per cent on an annual average between 1986 and 1990. Standards of living have risen and unemployment is under 4 per cent. Direct foreign investment rose faster in Portugal than in other peripheral countries, roughly doubling every year to reach above Esc1,000bn (\$7.5bn) last

> A European Commission study says: "Foreign investment... is contributing significantly to the restructuring of Portuguese industry in developing sectors, such as chemicals, pharmaceuticals, electrical and electronic equipment, and transport equipment, thus underpinning domestic efforts to strengthen Portuguese intra-industry competitiveness in the internal market.

> Fears that competition from eastern Europe would be detrimental to Portugal have not materialised, and the Commission calculates that German unification alone caused an additional increase of 0.7 per cent in Portuguese GDP since

> Full economic union will also have a positive effect. "Portugal is likely to be

	91	192 1193-95		
GDP (% growth)	2.10	3.00	4.00	
Public consumption§ Private	3.00	0.75	0.75	
consumption§	5.25	3.25	- 5.00	
inflation§ Public administration	11.20	7 <del>-9</del>	4-6	
deficit	6.20	4.00	3.00	
Public debt"	65.25	550	53	
Current a/c deficit*	1,00	1,00	1.75	

a prime beneficiary of the advantages of Emu. Transaction costs savings and the suppression of exchange rate variability by virtue of a single currency will be. very significant for Portugal whose cur rency is only marginally used as a means of international payments and whose financial service sector is not developed as in the richer part of the

Community," the study says.

Getting there is the difficult part, and for Portugal which wants to be among Emu's founder members by joining in 1997 or by 1999 at the latest, it is a formidable challenge.

Inflation, the toughest nut to crack will have to be brought down from 11.2 per cent in 1991, more than twice the EC average, to within 1.5 points of the Community's best performers; the budget deficit cut from last year's 6.5 per cent to 3 per cent of GDP; the public sector debt brought to below 60 per cent of GDP; interest rates will have to come down and the escudo, which only entered the exchange rate mechanism of the European Monetary System three months ago, will have to move into the narrow 2.5 per cent band. All the while, Portugal will have to grow at a faster

Portugal's convergence plan aims to satisfy all these requirements, some before 1997. But there is a constant danger of slippage. Critics doubt it is possi-ble simultaneously to reduce inflation - and hold back wages when there is practically full employment - and maintain high rates of growth and investment. They also wonder whether the government has the political courage to push through the tough medicine

needed to tackle budget deficits. What is not in doubt is that Portugal will need more help to restructure its agriculture and ailing industries, and to modernies its infrastructures. That is

why it wants an early agreement on a new Community budget including the new "cohesion fund" to help the EC's poorest members catch up.

Help is important if the government is to contain growing social pressures. Farmers have demonstrated noisily against the reform of the Common Agricultural Policy which their leaders say could force 70 per cent of Portugal's farmers off the land. Thousands of workers in the textile industry face layoffs as competition from within and outside the EC intensifies, and companies - not only in the textile sector have campaigned vigorously for protec-tion against what they see as a preci-pice opening up under their feet. Trade unions are flexing their muscles for a fight with the government over plans to trim the public sector which employs some 600,000 workers, representing 17 per cent of Portugal's 3.5m labour force The government will extend help to

farmers and it hopes that enough jobs will be created as an alternative for workers facing lay-offs in traditional But it has less room for manoeuvre as

far as public finances are concerned. The budget deficit has to be reduced to meet the tough conditions imposed by Maastricht for monetary union. With an overall cut in expenditures ruled out by the need to spend more on education and health as well as to co-finance EC backed investments, reducing the public administration bill is a politically acceptable alternative to raising taxes but the social and political strains of convergence are starting to show.

With an election in the recent past (last October), the government has another four years to show that it can make its ambitious convergence plans stick - provided Maastricht itself



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# Tokyo shares Building freeze near in W Bank and Gaza pulled down by debt fears

By Robert Thomson in Tokyo

THE Tokyo stock market fell 2.9 per cent yesterday, leaving the Nikkei at 15,541,95, its lowest level since April 1986. The fall was precipitated by doubts over the health of the economy following the release of a gloomy Bank of Japan quar-

terly forecast.

The Bank of Japan said yesterday that it is closely watching the restructuring of trou-bled non-bank financial institutions, whose difficulties have been heightened by the renewed weakness of Tokyo

stock prices. Mr Yasushi Mieno, the central bank governor, said the financial system is secure in spite of the difficulties facing non-bank lending institutions which fuelled the stock and property price spiral of the late 1980s, but now have fast accu-

mulating bad debts. He said non-banks and other institutions should not necessarily support all of their troubled borrowers, and suggested that financial institutions restructuring their operations should maker further changes to ensure their profitability.

Mr Mieno's comments made clear the central bank has revised its outlook on the economy, and that a recovery, expected in the autumn, will come later. He pointed to decelerating consumer demand as an important reason for delays in the adjustment of inventories. Concerned that yesterday's fall in the stock market could prompt even deeper falls in the next few days, Mr Sakae Kudo, chairman of the Japan Securities Dealers' Association, said the market correction must be close to completion.

# Nikkei Average (1000)

prices are being weighed down by concerns about the domeseconomy, and suggested that the Bank of Japan reduce the official discount rate from the present 3.75 per cent.

1987 88 89 90 91 92

■ The ruling Liberal Democratic Party (LDP) is growing in confidence that it will win a larger than generally predicted share of the seats to be contested in an election on Sunday for half the seats in the upper house of parliament.

Opposition parties admitted resterday that their campaigns have been flawed. Polls suggest the LDP could take about 70 of the 127 seats, instead of the 60 fewer seats forecast when the campaign began. If the LDP does accumulate 70 sexts, the party and two coalition partners. Komeito and the Democratic Socialist Party, will consolidate their control over the upper house and put the LDP in a strong position to regain a majority of seats at the next election in 1995.

# Fujisankei ousts chairman

# Bad blood flows after Japanese media coup d'etat

FUJISANKEL, one of Japan's biggest media groups, yesterday ousted its chairman, provoking the unusual spectacle of a Japanese boardroom row being conducted in public as well as a mutiny in the deeply

conservative empire.

The departure of Mr Hiroaki Shikanai, 47, was described variously yesterday by Mr Shigeaki Hazama, president of Sankei Shimbun, the 2m circulation daily which is a main part of the group, as a "duel", an act of "self-catharsis" and "house-cleaning for Sankei". Mr Shikanai, a banker before he became chairman just two years ago, was given the job after marrying into the foun-

ding family.
Mr Shikanai, who was first ousted from Sankei Shimbun and then resigned his remaining group posts, at a press conference condemned the decision by the newspaper's directors as "illegal because it was unilaterally taken without any specific reason". While saying he was willing to meet the group board to "avoid further confusion and turmoil", he added that he was contemplating legal action.

Mr Shikanai owns key

minority shareholdings in various parts of the interlocking. privately-owned organisation which also controls the Fuji television network, a Tokyo radio station, and Pony Can-yon, a music and video cassette supplier which owned a quarter of Mr Richard Branson's Virgin Music before he sold the division to Thorn EMI. The fact that these holdings did not protect him signals the carefully concerted nature of the putsch by fellow directors. Their troubles may not now be

over, though - Mr Shikanai is suspected to have been stakebuilding in recent months by buying shares from family members. For example, his 6.8 per cent officially registered holding in Nippon Broadcasting, the radio station, is regarded by some to be on the low side. Yesterday he said only he would "explore ways to develop and promote the

His ousting came a month after Japan's gaudy popular press began chronicling claims of his high-handedness - allegedly demoting those who displeased him and demanding that his photograph in an in-house publication be made larger. Yesterday such papers were describing him as a "dictator" who "rode the company like a souped-up trail bike".

However racy, his manage ment style had no apparent ill effect on the group's trading performance. Fujisankei does not publish profit figures, but sales have been on a steadily rising trend and were up 8.7 per cent in 1991.

At the heart of the affair. although not made explicit by Fujisankel directors yesterday, appear instead to be payments totalling Y1.7bn (\$13.6m) which group companies made as a posthumous retirement allowance to Mr Nobutaka Shikanai. his father-in-law, who died in October 1990. (Mr Shikanai senior had adopted the younger man on his marriage and the death of his own eldest son, and allowed him to take

Chairman Shikanai allegedly demoted those who displeased him and demanded that his photograph in one of the group's in-house publications must be made larger

the family name before suc ceeding him as chairman.) In response to observations that he would himself benefit from such payments as an inheri that the decision had not been his personally, had been dis-cussed within the group, and was in accordance with its rules. He was outraged that he had been "fired as if involved

in corruption". While not referring directly to the payments, Mr Hazama said it was "inexcusable for anyone to use a corporation as if it is his own personal prop-erty". He added: "A newspaperman is presumed to behave with special responsibility visa-vis society. In this connection, Shikanai lacks the qualifications to represent a newspaper." Media professionals ascribed the upheaval to Mr Shikanai's status as an outsider – his previous career was with Industrial Bank of Japan. Professor Akihiko Haruhara of the journalism school at Tokyo's Jochi University said: "The problem for the group is that a man who has nothing to do with journalism was placed

in the top position."

But back on the outside, Mr Shikanai, unless he is persuaded to part with his stake of 12.6 per cent or more in Sankei Shimbun, may still be in a position to cause head-

By Hugh Carnegy in Jerusalem

THE Israeli government is today set to entrench temporary measures taken to stem new building in Jewish settlements in the occupied territories, moving closer to Arab demands for a complete settlement freeze and US conditions for the release of \$10bn in loan guarantees to Israel.

Yesterday, the housing ministry confirmed that in addition to a temporary freeze imposed last week on unsigned contracts for governmentbacked housing, it had also this week

Bank and Gaza Strip where contracts had been signed, but construction work was not yet in progress.

Mr Avraham Shochat, the finance minister, and Mr Binyamin Ben Eliezer, housing minister, will meet today to formulate the extent of a new building freeze and review the possibility of halting some programmes where construction is underway.

Mr Yitzhak Rabin, the prime minister, has avoided spelling out how far he is prepared to go in freezing settlement activity. Although committed to extensive curbs, he has tended to Heights, the Jordan Valley and the Jerusalem area which he classifies as 'security settlements", against "political" or ideological settlements.

However far it turns out he is prepared to go, there are strong pres-sures other than the weight of US and Arab opinion pushing Mr Rabin towards deep cuts.

The over-inflated housing programmes commissioned to cope with mass immigration from the former Soviet Union by the previous government of Mr Yitzhak Shamir demand radical measures to stem costs and over-supply. In these circumstances, settlements in the occupied territories, where relatively few Israelis and few immigrants want to live, are an obvious target for the axe.

Finance ministry estimates put the cost of redeeming guarantees to contractors to buy back unsold apartments at up to Shk4bn (\$1.6bn) - or about 5 per cent of the 1992 budget With the US pressing Israel to contain its fiscal deficits as a further condition for the loan guarantees, it is the kind of expenditure that Mr Rabin has

The attention on last week's initial building freeze focused on the occupied territories. What was less noticed was that it applied to all new con-tracts inside israel as well. Only about one-fifth of some 60,000 government-commissioned units said to be under construction and about half of the 5,000 contracts awaiting signature are in the West Bank and Gaza.

(1)

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Mr Shochat and Mr Ben Eliezer will have to halt or curtail any building projects inside Israel "proper" as well as in the occupied territories. But, given the political climate over the settlements in the West Bank and Gaza, it is inevitable that these will bear the brunt of the cuts.

# S African talks falter as protests grow

By Philip Gawith In

SOUTH Africa was faced last night with the renewed pros nect of extended industrial strife as talks between business and labour hung in the

Representatives of the Congress of South African Trade Unions (Cosatu), the largest union grouping in the country, and the South African Co-or-dinating Committee on Labour Affairs (Saccola), an umbrella employer body, have been meeting for the past two weeks in an effort to avoid a general strike in August and to break the constitutional deadlock.

A draft charter for "peace, democracy and economic reconstruction" had been agreed between the two parties, but both have apparently experienced difficulties in bringing their constituencies with them.

Their efforts coincide with an escalation in the mass action campaign of the African National Congress (ANC) and its allies. This week has seen the ANC embark on an extended series of of sit-ins in government offices, police stations and magistrates' courts. Yesterday's protests included shoppers running up bills at

tills of leading stores and then refusing to pay.

Protestors also gathered at
the Pretoria central prison. demanding an end to township violence and a swift transition

to democracy.

More than 1,000 demonstrators have been arrested since Monday, although few have been held in police custody. The United Nations special



South African plainclothes policeman pulls his revolver on demonstrators in the centre of Johannesburg yesterday

envoy, Mr Cyrus Vance, yesterday met President FW de Klerk. His trip follows last week's Security Council resolution and will seek to create a

Vance held two hours of talks with Mr de Klerk who briefed the envoy on his government's position regarding constitutional talks with the ANC and

used the opportunity to inform Mr Vance about the issue of violence and constitutional negotiations and of the government's broad attitudes and

reporters.
Mr Vance did not comment. He is scheduled to meet the

# Indian court orders halt to temple construction

By Shiraz Sidhva in New Orlhi

THE Indian Supreme Court yesterday ordered the Uttar Pradesh state government to "unconditionally stop" all construction activity in Ayodhya before the court decides whether a Hindu temple can be built on disputed land.

The country's highest court said it expected the state government to talk to the parties concerned and report by today whether there was an agree-ment to stop all work.

In Ayodhya, Hindu militants, joined by saffron-clad priests, continued construction work for the 14th consecutive day, ignoring both the court order and armed paramilitary troops. The Hindus are attempting to build a temple on the site of a 16th Century Babri mosque in the north of India.

The Supreme Court has in effect granted the ruling Congress party a temporary reprieve from deciding whether to dismiss the Hindu revivalist Bharatiya Janata Party (BJP) state government. The BJP had allowed Hindu militants to defy a court order prohibiting construction on the site.

 Five stock brokers arrested in India's securities scandal, were released yesterday on bail, writes R C Murthy in Bombay. A member of India's Planning Commission resigned yesterday over his reported investments in a company linked to the scandal.

# Asean urges caution in Spratlys row

By Victor Mallet in Manile

THE SIX members of the Association of South East Nations yesterday sought to ease tensions over the disputed Spratly islands in the South China Sea by urging the countries involved to exercise

In a special declaration at the end of a two-day meeting in Manila, the foreign ministers of Asean - grouping Bru-nei, Indonesia, Malaysia, the Philippines, Singapore and Thailand - emphasised the need to resolve arguments over sovereignty and jurisdiction

By William Keeling in Jakarta

INDONESIA has passed a law

implementing stringent traffic regulations. With apparent dis-

regard for Indonesia's per cap-ita income – about Rupi-

ahl.2m (\$600) a year - even the smallest traffic offence

could cost motorists a year's

salary or several months in

"by peaceful means, without resort to force".

zone also claimed by Vistnam. Asked whether Assan regarded

They suggested the establishment of "a code of international conduct over the South China Sea" to be based on the principles of their regional Treaty of Amity and Co-opera-tion, and resolved to explore the possibility of collaborating on maritime navigation, pollution control and anti-piracy operations in the area.

The dispute over the Spratlys came to a head earlier this year when China reaffirmed its claim to the entire archipelago and granted an oil exploration licence to a US company in a

in; motor cyclists, often with-

out helmets, career down dual

carriage ways in the wrong direction to beat the traffic.

come into force in September

not wearing a motorcycle hel-

met will carry a fine of up to

Rplm; jumping a red light, up

Jakarta abounds with anar- to Rp2m; and an expired

When the new regulations

China as a bully, Mr Raul Mangiapus, foreign minister of the Philippines, replied: "We have said China has its own historical claims ... but we

have never said it's a bully." A decision to set aside the issue of sovereignty over the Spratlys did not mean that the countries concerned could not peacefully continue or even reinforce their presence on the islands, he said.

For the first time since it was founded 25 years ago in the shadow of the spread of communism in Indochina,

chic driving: leave the smallest gap between two speeding cars jail for six months or a lead to a third will nose its way a fine of Rp6m.

licence could send the driver to making process. Mr Ismail Saleh, the minister of justice, has said the proposals, drawn

lations are unjustly harsh.

Many cars, including most of

Jakarta's taxis, lack seat belts

but not wearing one could cost

protests from university stu-

dents and highlighted the

weakness of Indonesia's law-

The new decree has led to

уоц Кр3т.

Motorists say the new regu-

Asean explicitly put the emphasis on security concerns. In another sign of the changing international climate, Vietnam and Leos were yesterday granted observer status at

future Asean meetings.
Later this week, the Asean ministers will meet their counterparts from the so-called "dialogue partners" - the US, Japan, the EC, Australia, New Zealand, Canada and South Korea. Asean and the EC are hoping to negotiate a new co-operation agreement, but Asean states are balking at EC demands on human rights and

up by civil servants, were not

passed through his office,

Advocates of the bill point

out that anything which

mated 10,000 people are killed

in Indonesia each year in traf-fic accidents - should be

breaking usual procedure.

Dr Jay Levy, of the Univer-Indonesia tries to reduce chaos on roads

white blood cell, called CD8, seems to determine how long people with HIV stay healthy. Its role is to attack other infected cells - and either kill them or suppress the virus. In most people with HIV the CD8 cells lose their activity

after a while. Then the CD4 cells - the immune cells whose disappear and the patients start to suffer Aids symptoms. "In long-term survivors, CD8 activity remains strong." Dr

# Aids treatment

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Blood cell hope in

By Citve Cookson in

SCIENTISTS studying long-term survivors of HIV, the virus that causes Aids, have discovered a type of immune cell which enables people to remain healthy for more than 10 years after infection.

sity of California, San Francisco, described the discovery to the world Aids conference in Amsterdam yesterday. He pre-dicted that it would soon lead to new ways of treating HIV.

The vital finding is that a

loss is normally used to define the progress of the disease -

purifying a protein, known as a cytokine, which CD8 cells secrete to stop HIV replicating in other immune cells. They expect to have isolated and identified it within six months. Dr Levy mentioned three

ways in which scientists hope to use CD8: to grow CD8 cells in the laboratory and inject them into patients; to make the cytokine protein and administer it directly as an anti-HIV drug, and to find ways to maintain the activity of the patient's own CD8 cells.

The San Francisco discovery was the most striking example of the trend to examine the minority of people who survive HIV for many years without falling ill. Other scientists reported yes-

terday that the biological nature of HIV itself is different in asymptomatic people and patients with Aids. In the lat-ter, the virus mutates rapidly into more damaging genetic forms. In the former, HIV is tightly controlled by the patient's immune system. New Aids drug trials, page 14

# Sind crackdown holds key to Sharif's reforms

Investors are growing nervous about Pakistan's immediate political future, writes Farhan Bokhari



Nawaz Sharif: reports of tensions over the army's demand for greater powers

HE government of economic reform programme Pakistan's Prime Minis-ter Nawaz Sharif is coming under growing pressure over its handling of violence in the southern province of Sind and as a result of a damaging split within the ruling coali-

Though it has acquiesced to army requests for wider powers in the crackdown on lawlessness in Sind, that seems unlikely to end political uncer-The People's Democratic

Alliance (PDA), the main oppo-sition party led by Ma Benazir Bhutto, has stepped up pres-sure by threatening to resign seats on national and provincial assemblies in an attempt to force elections.

Some businessmen fear investment could be slowed because of nervousness at the outcome of events in Sind, which is seen as crucial to the government's future. This could put at risk the radical

introduced by Mr Sharif. The government insists, however, that reforms and investment are on track. Yesterday troops stepped up raids in Sind during a visit to

the province by Mr Sharif, in a search for suspects and illegal arms. They are operating under broader powers of search and arrest, granted last Sunday, in a drive against highway robberies and kidnappings for ransom. The powers allow the military to carry out

independent operations with-out assistance from policemen. This follow weeks of reported deterioration in civilmilitary relations through the army's demand for wider powers. "They [the army] are concerned that wide-ranging corruption in the provincial police and administration is making it difficult for them to arrest

criminals," a senior official Last month, a key govern- his majority.

ment ally in Sind, the MOM (Mohajir Qaumi Movement), a regional Moslem party and part of the ruling coalition, broke ranks from the ruling party after torture cells allegedly run by the MQM were found in an army crackdown.

Twelve MQM members resigned in protest from the 217-seat National Assembly, and 23 from the 109-seat provincial assembly. Though Mr Sharif's ruling coalition, the IDA (Islamic Democratic Alliance) still commands a majority in the National Assembly, the provincial Sind government of chief minister Muzaffar Hussain Shah has become

vulnerable. Mr Shah turned down an opposition demand to seek a fresh vote of confidence and challenged the PDA to initiate a vote of no confidence if it wants to force him out. The opposition has set a deadline of July 30 for Mr Shah to prove

At the national level, too, there have been signs of a worsening in relations between government and opposition. The PDA has said its members would resign from assemblies after consulting smaller parties outside the government, in protest against the ruling party.

The resignations are being considered as one option to force President Ghulam Ishaq Khan to dissolve the assemblies and hold elections. Mr Sharif responded by saying he would call by elections

to fill the vacant seats. Both sides are aware that any action potentially leading to a dissolution of parliament

carries the risk of inviting martial law, in a country which has been run by military dictators for more than half its 45year history.

Some government officials are concerned that the government is getting an image of instability. Even if in reality we are firmly in place, we are

seen as weak and under pressure. That's not a good sign," said one official.

But precipitate action to bring down the government seems unlikely: the military wants to stay out of politics and senior army officers have repeatedly given assurances that they have no intention to introduce martial law.

Government officials also discount the possibility of presidential action to dissolve par-liament, on the grounds that Mr Khan and Mr Sharif share common views on politics.

However the uncertainty appears to be taking its toll Investors are becoming nervous over the future course of politics and want to wait and see the outcome of the latest round over Sind, said one businessman. He added: "We need some sense of stability to know that economic liberalisation introduced during the past two years is going to remain

# Colombian drug baron in jail battle

MR PABLO Escobar, chief of Colombia's Medellin cocaine cartel, was reported to be entrenched in a tunnel in his jail yesterday after resisting attempts to transfer him. The army is battling to take control

Mr Escobar and 13 fellowprisoners used weapons taken from guards to seize hostages - including Mr Eduardo Mendoza, deputy justice minister, and Colonel Hernando Navas, director-general of prisons on Tuesday night. Troops were sent in and the hostages released after a shoot-out. Reports say at least two peo-

eral injured. President César Gaviria called an all-night national security council session late on-Tuesday and postponed his trip to the Ibero-American summit

ple have been killed and sev-

in Madrid. A local radio station reported that Mr Escobar had said on tape he was prepared to resist to the last, rather than be transferred. His nephew confirmed that Mr Escobar and others were in a tunnel under the jail with enough food to survive for some time.

The government decided to transfer Mr Escobar following a series of kidnappings and

THE Sendero Luminoso

wave of bomb attacks, injuring

at least six children at a Lima

school and blasting a television

station, Reuter reports from

For the seventh consecutive

day the capital was rocked by

explosions. Heavily armed

Rebels back Lima strike

guerrilla group enforced a the outskirts of the capital as strike call yesterday with a private buses stayed off the

call with bomb attacks

deaths of people linked to the Medellin cartel after they had

visited him in jail. The killings were widely attributed to Mr Escobar's desire to consolidate his power over cartel business. .

A government communiqué said that "recognised criminals" had been into the jail and that Mr Escobar continued "to be involved in committing crimes directly and personally from inside the jail," with the

complicity of prison guards.
Mr Escobar's refusal to leave
the jail coincides with rumours that competing trafficking gangs were planning an attack on him. He paid for the luxuri-ous jail's construction before surrendering to the government just over a year ago, in exchange for leniency.

AP adds from Bogota: Mr

paper that campaigned against the drugs trade.

But large queues formed on

Escobar was the architect of what became the world's largest cocaine cartel; Forbes magazine once listed him as one of the world's wealthiest men He and his lieutenants have not been tried, as Colombia's justice system works slowly,

but the government has accused Mr Escobar of master-minding hundreds of terrorist acts, including the 1986 assassination of Mr Guillermo Cano, publisher of a Colombian news-

This year's first-quarter deficit was easily covered by a surplus in the capital account of \$5.157m, of which 27.5 per cent was direct physical investment and the remainder portfolio investment.

has weakened and interest rates risen, as foreigners have sold Mexican securities. This is likely to reduce the capital account surplus in subsequent

roads for fear of reprisals by the Shining Path guerrilla The guerrillas called a general strike for yesterday and today against President Alberto Fullmori's government and warned they would take troops patrolled the streets to up arms against anyone who protect people going to work. attempted to get to work.

# Mexican current account worsens

By Damian Fraser

MEXICO'S current account deficit climbed to \$4.4bn (£2.3bn) in the first quarter, the highest in 20 years and 143 per cent more than in the same period last year, according to the Bank of Mexico.

Unless import growth falls sharply over the year the gov-ernment will miss its official target of \$13bn for 1992 by some way. Mr Rogelio Ramirez de la O. of the consultancy Ecanal, believes the deficit for the year will be \$20hn, or 6.4 per cent of estimated GDP.

The trade deficit during the first quarter was \$4bn, 127 per cent higher than in the same period in 1991, reflecting a growth of just 0.6 per cent in exports and a 27.7 per cent increase in imports. However, manufacturing exports grew by 16.8 per cent, an indication of the continued strength of the industrial sector.

Most of the increase in imports was due to capital goods purchased by Mexican companies, which the government has explained as part of the necessary restructuring of the Mexican economy.

There are signs that the rate of increase in the current account deficit is slowing. The deficit in the first quarter was 5.3 per cent higher than that in the final period of 1991.

Since then the stock market

QUESTES.

• President Carlos Salinas de Gortari of Mexico said yesterday his country aspired to a bigger role on the world stage. and full membership of the Organisation for Economic Co-operation and Development (OECD) would help it achieve that, Reuter adds from Paris. | Police halt peasants marching on Guatemala City yesterday to demand the return of land they say was taken from them illegally

# Canada's summer is not all fun

Several issues in the wrangle over Quebec's future A dians usually try to confine their thoughts will be brought into focus, writes Bernard Simon to baseball, boating and barbecues, is shaping up this year as a crucial period in national pol-

The Senate, the upper chamber of parliament, would be Several issues in the endless wrangle over Quebec's future changed from an appointed body to an elected one, with an place in Canada will be brought into sharper focus equal number of representaover the next few weeks. Mr tives from each province (plus Robert Bourassa, the Francoa handful from the Northwest phone province's premier, Territories and Yukon) and with limited powers of veto. must decide soon whether to proceed with a national-unity The federal government

referendum scheduled for late would be considerably weak-October and, if so, what quesened by the transfer of various tion he will pose. powers to provincial jurisdic-Mr Bourassa, however, can-not make this decision without tion, notably those on job training, culture and immigragreater clarity about the willtion. Aboriginal people would ingness of the nine Englishgain a right to self-governspeaking provinces to compro-mise on a package of constitument, the extent of which would probably be left to the tional proposals which they courts to define. presented to Quebec earlier Quebec, which has boycotted

this month. Some key parts of the package have already stirred up a hornet's nest the national-unity talks since the collapse of the Meech Lake accord two years ago, is unhappy about several aspects The political activity is most of what is now being dubbed intense in Ottawa, where Prime Minister Brian Mulroney the Pearson accord (after the building in Ottawa where it and Constitutional Affairs Min-The province contends that ister Joe Clark are working feverishly to bridge the gap between English Canada's offer some parts, notably the consti-

tutional recognition of the and Quebec's demands. Prancophone province as a "distinct society" and the pow-As it stands, the offer would bring far-reaching changes to ers over immigration, are

sections of the Meech Lake

Quebec sees itself not simply as one of 10 provinces, but as the home of one of Canada's two founding peoples. It thus has severe misgivings about a Senate where probably no more than eight out of 84 members would have French as their mother tongue. Although this would be offset by greater representation for Quebec in an enlarged House of Commons, Quebecois fear that the upper house of parliament would effectively cease to be

Mr Mulroney and Mr Clark are trying to find sufficient common ground between Mr speaking counterparts to justify a meeting of all provincial premiers.

bilingual

Among the compromise proposals being toyed with is one which would guarantee some Senate seats for French-speaking minorities outside Quebec. Ideally, the meeting - which could take place as early as next week - would be an occasion for everyone to put their

signatures to a new constitu-

Mr Bourassa could then return in triumph to Quebec City and call a referendum. confident that he had gained enough to spike the guns of the Quebec separatists.

But such a happy outcome is by no means a certainty. Among the other scenarios that could unfold are an unravelling of the package agreed by the nine provinces, an effort by the federal government to impose its own set of compromise proposals, and a delay in the Quebec referendum.

reached soon, one wild card is the possibility of opposition to the new deal outside Quebec. The Meech Lake accord was signed by all the premiers in 1987, only to fall apart as ratification by provincial legislatures became bogged down in growing public doubts.

This time round the provinces will not only need to ratify a deal, but some have also committed themselves to public hearings and referendums. Serious reservations are

ics labelling it as an unworka-ble agreement born of desperation rather than a recipe for effective government.

Trade unions fear that the transfer of job training to the provinces could imperil the national unemployment insur-

ance scheme. Even Mr Michael Wilson, industry and trade minister. who is one of the most senior members of the Mulroney cabinet, publicly voiced his displeasure over what he considers the wishy-washy mechanism to bring down pervasive inter-provincial trade barriers.

The question is whether Canadians are now so fed up with the interminable constitu tional merry-go-round that they will accept virtually any agreement signed by the prime minister and all 10 premiers. Or can they still be persuaded that no agreement is better than a bad one?

There is little doubt, however, that the longer the debate goes on, the greater the threat to Canada's long-term political stability. If an agreement cannot be reached and ratified soon, attitudes in all parts of the country are likely to harden as recriminations

Canada's latest identity crisis would not only be pro-



# Investment in Venezuela still strong

FOREIGN investment in Venezuela has remained strong this year, according to government estimates, despite continuing political problems following February's unsuccessful coup attempt, writes Joe Mann in Caracas.

The Ministry of Develop-ment estimated that direct foreign investment for the first half of this year reached about \$550m, sharply higher than in the same period last year.

New investment was concern trated in industry, with a big share going to petrochemicals. Investments included fresh capital from overseas, reinvestment of retained earnings by foreign companies, and

# **NEWS:** WORLD TRADE

# plans TV station in

By Alan Friedman In New York -

standing has been signed by TBS and the Moscow Independent Broadcasting Company, (MIBC), a private Russian com-

Mr Sidney Pike, president of CNN International's special projects division, is in Moscow

plan depended on obtaining local government approval for a broadcasting licence to use Channel 6, an existing VHF frehave indicated they plan to award the licence within the next four months, Mr Pike

Under an interim licence MTBC and Turner have been would include CNN news, classic films, sport, entertainment and children's programmes, broadcast mostly in Russian.

to decide who should be given the licence. Siemens, the German engineering group, and Russian partners are jointly developing

The aim is to improve the safety of 1,000-megawatt VVER pressurised water reactors, the most modern reactors pro-

# Moscow

TURNER Broadcasting System (TBS), the US cable television group that owns CNN, is forming a joint venture in Russia to seek what it claims will be the first independent television station in Moscow.

A memorandum of under-

to represent Turner interests in the 50-50 project, which will be broadcast free over the air. Revenues will come . from advertising.
Mr Pike said yesterday the

sion and the defence industry, is distressingly familiar. He was asked this spring to probroadcasting two hours of CNN International, translated duce 10 T-8 tanks for the Ukraiinto Russian, every day on nian Ministry of Defence but found that Ukraine's mighty military industrial complex, Channel 6 since May. Mr Pike said the joint venture channel which Khrushchev once bragged was capable of "churning out rockets like sausages was unable to fill the modest Channel 6 is the last VHF order because Russian enterprises would not supply the frequency available in Moscow. necessary parts. This was in spite of the formal co-operation A formal contest will be held

plans to equip nuclear reactors in the former Soviet bloc with western monitoring technology for added safety, Reuter reports from Bonn.

duced in the former Soviet Union. The technology would be based on existing Russian systems and advances under way in Russia and be enriched | moment Ukraine introduces a with Siemens knowhow.

# US group Iranian banks delay trade payments

By Schenersonde Danauhkhu

IRANIAN banks, which usually have an exemplary payments record, have been delaying payments on letters of credit for the past three weeks. The delays come at a bad time for Iran, as the UK Export Credits Guarantee Department continues negotiations with

the iranian government aimed at establishing medium-term cover for Iran. The delays result from the loosening of controls by the Bank Markazi, the central bank, which wants to remove itself from the commercial arena. Bank Markazi used to

RADE between Ukraine and Russia, - 72 per cent of trade within the

old Soviet Union - is grinding to a halt as the political link

which sustained it breaks

For troubled Ukrainian

enterprise directors, the tale told by Mr Viktor Antonov,

Ukrainian minister for conver-

agreement signed in April by

Mr Antonov and his Russian

The situation is likely to get

worse. Like the Comecon coun-

tries which shared Ukraine's

dependence on heavily-subsi-

dised Russian oil, Ukraine

could pay a heavy economic price for its determination to

break out of the Russian orbit.

According to Mr Evhen Bara-mikov, chief of the inter-repub-

lican trade department in the

Ukrainian Ministry of Econ-

omy, Russian experts have

warned Ukraine that the

commercial banks.

"Since Bank Markazi distanced itself from the commercial banks, they have not handled their foreign exchange allocations and cash flows as well as they might," said a British banker, whose bank undertakes Iranian risk. He said Bank Markazi had clamped down on the numbers of letters of credit being issued.

LITHUANIA

demand world prices for oil. This threat underscores

Ukraine's structural vulnera-

bility in its trade with Russia.

"They can last a year without

our food, but Russia can halt

Ukrainian industry in a day," says Mr Baramikov. "We will

eat our sugar while freezing in

was paying Rbs2.840 per tonne for Russian crude supplied

according to inter-governmen-

tal agreements. If Ukraine

remained in the rouble zone,

Russia had offered to continue

selling crude at between

Rbs2,820 and Rbs3,500 per

tonne, well below the world

However, that enticement to

remain in the Russian ecoseparate currency Russia will nomic sphere is less attractive knock-on effect in the first

Mr Baramikov said Ukraine

the dark."

rate.

open all letters of credit but it banks have put the delays

has now transferred this to down to temporary cash flow problems. One franian banker claimed the Iranian commercial banks, which are government-owned and include Bank Melli, Bank Tedjarat and Bank

> to discount one year usance letters of credit without keeping back enough foreign exchange for letters of credit falling due from a year ago.
> "These are technical delays

Some of the Iranian banks have taken out interbank loans to ease the problem and Bank Markazi is said to have injected \$400m into the banking system about 10 days ago. Both Iranian and British interest to letters of credit

LECRAPHE

MOLDOVA

Saderat, had made incorrect income calculations. He said funds had been used

Russia - Ukraine trade

2,500 500

Paramed Actual 1,000 torres 10,000 7,470

Actual

7,470.0

1,381.0

495.0

470.5

314.2 ...

49.7%

34.1%

14.7%

13.8%

35.4%

First quarter 1992 ligures

quarter of this year, Ukraine supplied Russia with only 13.8 per cent of the black metal and

35.4 per cent of the tubing it

The mounting political hos-

tility between Ukraine and

Russia is one explanation for

the collapse in trade. Mr Bara-

mikov describes negotiations

with Russia as acrimonious

and emotional encounters in

turn the thumb-screws on us".

by the economic limbo in which the former Soviet Union

is trapped. "The old system no

longer works," Mr Baramikov

says, "but there is no new mechanism yet."

Enterprises were responsible

under the old system to central

planners, not to each other. switch to the market."

which "the Russians try to

But trade is also jeopardised

had agreed to provide.

19.8%

which will exist for a few weeks but it is a temporary situation and business is as usual." said another British bank. Iranian banks are paying

Kiev gripped in Russian stranglehold

Ukraine's economy will pay a heavy price for defying Moscow, writes Chrystia Freeland

Crude of

Pairot Lumber

than it might seem because even today Russian oil sold to Ukraine at the subsidised rate

covers barely half of the

requirements of Ukrainian

enterprises. Ukraine tradition-

ally purchased 52m tonnes of oil from Russia each year. This

year that has been cut to 40m

tonnes and in the first quarter

of 1992 Russia supplied

Ukraine with only 7.4m tonnes

Ukraine is suffering even

more extreme shortages of the

coal, gasoline and lumber nor-

mally supplied by Russta. In the first three months of 1992,

Ukraine received only 14.7 per cent of the lumber and 19.8 per cent of the coking coal Russia

had pledged to deliver. The

shortage of Russian fuel has a

at subsidised rates.

RUSSIA

claimants for the delay. The banks have also come under pressure because Bank Markazi restricted the supply of hard currency in mid-May, leaving the banks to settle outstanding debt by going to the open market. The shortage of foreign exchange stems in part from over-estimates of oil income. The price of oil was expected to remain high after the Gulf war. This year for

Downpayments on projects drawn up in the five-year development plan have increased the strain on

example, Iran may find itself

earning only \$14bn in oil revenues instead of an estimated

to submit a report soon to the majlis (parliament) when it hones to say that significant progress has been made on

projects in the plan. The weakness of the US dollar and the fact that Iran's main trading partners are Japan and Germany rather than the US have made the import bill more expensive. In addition, Iran has increased its defence expenditure for which it will have had to use hard currency rather than any form of oil barter arrangement.

Western banks undertaking Iranian risk have been told the delays will be over by the end

The planners provided raw

material, dictated how much

- but, as the non-fulfilment of

the agreements demonstrates.

The hybrid system in opera-tion today has bred some

costly distortions. For example

some Ukrainian enterprises have fulfilled or over-fulfilled their obligations to Russian

customers without being paid

because they know their national bank will make up

any shortfall. Hence Ukrainian

factories' shipped 2% times the eggs and twice the processed

foods which Kiev had agreed to

The Ukrainian national bank

hopes to put a stop to this

costly practice by abolishing

the old payments system, but Ukrainian experts claim that

Ukrainian enterprises have

amassed debt of up to a thou-

sand billion roubles owed by

Russian enterprises which

To avoid these sorts of loop-

holes Mr Baramikov thinks

that "we should open our bor-ders and not block our enter-

prises from trading directly." But he is worried that "over 70

vears Ukraine and Russia have

created a structure of mutual

dependency. Neither we nor

they are ready to immediately

seem unlikely to repay it.

supply to Russia.

their word is no longer law.

# Japan to import Mexican Nissans

NISSAN's Mexican subsidiary is to export cars to Japan from July next year from a new assembly plant in the central state of Aguascalientes. Initially Nissan Mexicana will send 6,000 to 8,000 units a year of its low-cost Tsuru model but intends to increase this to 40,000 a year before the end of the decade. The export plan forms part of a three-year investment programme by Nissan in

Mexico totalling nearly \$1.2bn. Nissan Mexicana is owned 97.8 per cent by Nissan, with the

remainder held by Marubeni Corporation. Its announcement comes amid rapid expansion of both Mexico's car market and production. According to Dr Rolf Schlettwein, executive vice-president of the Mexican Investment Board, the market has been growing at 20 per cent plus a year over the past five years and is expected to grow by a further 12 to 15 per cent in each of the next six years. The country is producing about 1m

vehicles a year and is projecting that by 2000 this will have more than doubled, with about one third being exported to the US.

The Nissan investment forms part of an ambitious expansion programme in Mexico by several vehicle makers which totals more than \$5bn. Mexican inward investment officials are touring Europe seeking to generate interest among Europe's vehicle component makers in setting up operations in Mexico, or expanding

existing activities there. The new Nissan plant is to go on stream in November and is expected to reach full capacity of between 100,000 and 120,000

## they should produce and dis-posed of their products. Today, the planners still set guidelines - they are the men who draft the huge inter-state trade deals

Nike loses Olympic race
Nike International, the US sporting clothes and footwear group. yesterday lost a race to have a ban on the sale and marketing of its clothing in Spain lifted before the start of the Olympic Games

in Barcelona on Saturday, writes Peter Bruce in Madrid Spain's constitutional court rejected a second appeal by Nike in favour of claims by a Catalan company that it owns the Nike trademark in Spain. The decision sets the stage for a potentially embarrassing inaugural ceremony as it means the Spanish claimant could ask police to stop the US athletic team, sponsored by Nike, entering the Olympic stadium wearing the Nike (US) logo.

# Koreans agree steel curbs

South Korean steel makers have agreed to voluntary restraints on exports of nine steel items to the US for one year from April 1. 1992, the Korea Steel Manufacturers Association said yesterday, AP-DJ reports from Seoul. The items include coated sheets, pipe and tubes, nails and stainless products.

The move follows complaints by US steel makers against Korean steel exporters for selling below "fair" prices in the US, and is seen as an attempt to stave off dumping charges. Six other Korean steel products are under dumping investigation in the US.

# Patent challenge in Japan

Nine Japanese clothing makers, including Toray Industries have filed objections to Japan's Patent Office against a claim by Ohio-based Richman Brothers for a patent on computer-aided

clothing-making methods, Renter reports from Tokyo. The application by Richman Brothers, owned by Woolworth Corp covers computer-aided measure-taking for the manufacture of clothing. Toray said the contents of the application were so wide they would damage the Japanese clothing industry. The manufacturing methods mentioned in the application had

been widely used in Japan for more than 10 years. Toray said.

Λ

# Record £170m profit at British Coal

By Juliet Sychrava

BRITISH COAL yesterday reported a overall profit of £170m for the year ending March 1992, the biggest since the company was nationalised

Dramatic improvements in productivity and cost cuts boosted the operating profit by 51 per cent. The company also paid nearly 35 per cent less in interest on debt.

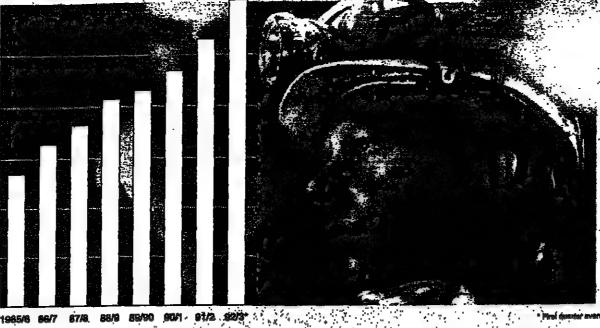
Fifteen pits closed during the year, with the loss of about 16,000 jobs, leaving a workforce of 53,000 of which around 41,000 are miners.

The record profit was sharply higher than last year's figure of £78m, British Coal's first profit in 13 years, which followed the restructuring of the company by the government and the beginning of a new, more efficient regime.

It was overshadowed, however, by fears that British Coal, which is due to be privatised in the next few years, will never again be able to sell as much coal at such a high price.

Mr Ken Moses, the company's joint deputy chairman, warned that British Coal's sales to the electricity industry could shrink to only 20m tonnes in the year to March 1994 from 65m tonnes today. This would happen if British Coal was unable to secure new contracts with the industry. Existing contracts, which give British Coal a favourable Miners' rise in productivity

Output per manshift (tonnes)



price, expire in March 1993. Without the contracts, competing fuels, like gas and orlmulsion, a bitumen-based fuel, could take a bigger share of

the electricity market. The outlook for the year to 1993 was for a smaller profit, Mr Neil Clarke, British Coal chairman said. Although the company will still earn the rev-

enue from its contracts with the electricity industry, it expects to have to close pits during the second half. That is because the new contracts are expected to require only around 40m tonnes of coal in the first year, and less thereafter. When the new contracts were introduced, British

drop. Mr Clarke said. In the year to March 1992, productivity rose by 13.1 per cent, and has risen another 14.6 per cent since then. Costs fell marginally in the deep mine business, though costs in open cast or surface mining. rose slightly. This was because wages rose and the company

had to cover the costs of mine

closures. After 1993, Mr Clarke said, British Coal's future depended on the contracts, But Mr Ken Moses said he did not accept the company would necessarily have to keep closing mines. might be able to enlarge its contract with the generators,

it could get costs down.

ment of an overdraft facility granted to MCC - should be made in the English court. The bank sought an injunction restraining the adminisindividual member exter".

> to develop a strong social polties," it said.



Challenge to decision on Nadir

will add millions to the bill for UK welfare benefits are The Serious Fraud Office groundless, the British governbegan a High Court challenge against a judge's decision to The scare followed a Eurothrow out 46 charges of theft pean Court of Justice ruling totalling £119.5m against Mr that the UK government was Asil Nadir, former chairman of

wrong to deny Family Credit, which is designed to supple-Polly Peck International. The trial judge had disment low incomes, to the wife missed the charges relating to of a civil servant who worked in Northern Ireland but lived the transfer of money from PPI to Unipac, a subsidiary company, saying Mr Nadir had authority for these transac-tions. Counsel for the SFO, The court held the UK's arguments would impede freedom of movement for workers said the judge had made an one of the EC's principal error of law which amounted to "a fraudster's charter".

Ulster talks

Talks between Northern

Ireland political parties and

the Irish and British govern-

ments resumed in Belfast with

Sir Ninian Stephen, the inde-

pendent chairman, denouncing

apparent leaks to the Irish

He said the leaks were "not

only inaccurate and misleading

but also put the whole talks

press of positions outlined in

resume

recent meetings.

process in jeopardy".

Recruitment

review urged

Employment minister, Mr Patrick McLoughlin, urged

employers to review recruitment and promotion policies regularly to ensure that they are not observationating against

This follows a report on the

experiences of young black people in the labour market. It shows that although a higher

proportion of Asian and black

young people continue in education or vocational train-

ing after the age of 16 than

their white peers, they have more difficulty in getting a

long-term goals. The ruling means that people who travel to work in Britain leaving dependents behind in their home states will be able to claim Family Credit. The ruling is not believed to apply to other benefits.

EC welfare

ruling fears

dismissed by

government

FEARS that thousands of EC

citizens living outside Britain

By Catherine Milton,

ment said yesterday.

in the Irish Republic.

Labour Stell

The maximum permitted income for a claim is 211,180. This would rule out most people from other EC states who work in the UK. The social security department said it believed UK nationals working in other EC states will not enjoy reciprocal benefits.

• The UK government intends to place further obstacles in the way of EC legislation on social and employment mat-

Mrs Gillian Shephard, UK employment minister who currently chairs the EC's council of labour ministers, told UNICE, the European employers body. "I shall be conducting a thorough review of EC legislation in this area. Too often there have been proposals for Community legislation on matters which are more appropriately determined by

Meanwhile, the UK Trades Union Congress has conceded that the high water mark of EC social legislation has passed The resolve of the eleven member states [minus the UK] icy has temporarily weakened in the face of economic difficul-

# Britain in brief TUC invitation to CBI chief

The Trades Union Congress has for the first time invited the head of the Confederation of British Industry to address its annual congress, this September.

Mr Howard Davies, the new director general of the CBi, has accepted the invitation. The TUC has been increasingly marginalised in recent years but hopes, through the invitation, to underline its embrace of "social partnership".

## Timeshare licence revoked

The Office of Fair Trading revoked the consumer credit licences of six companies asso-ciated with Club Riviera, one of the UK's leading timeshare

It followed complaints which included "allegations that the companies have induced customers to purchase timeshare accommodation by making false or misleading state-ments", according to Sir Bryan Carsberg, the OFT's director-

## Union vote cut by Labour

Mr John Smith, leader of the opposition Labour party, won a victory at his first meeting of the party's National Executive Committee as it was decided unanimously to press abead with plans to cut the trade unions' conference block vote from 90 to 70 per cent.

## Welsh tourism suffers fall

The Welsh holiday industry suffered a 4 per cent fall in income last year, according to the Wales Tourist Board. A survey of hotels showed bedoccupancy averaging 37 per cent, at its lowest level for eight years.

The board says in its annual report that the outlook for the year is not good. Hotels geared to the business and conference trade were being hit hardest, Hotels in the highest tariff group also experienced the biggest cut in bookings.

When

# Water sold off 'too cheaply'

By Bronwen Meddox

THE UK water companies privatisation, which raised 23.6bn in December 1989, shortchanged the taxpayer mainly because it was carried out too fast, the Committee of Public Accounts said yesterday.

"There is no question that the companies were sold far too cheaply," said Mr Robert Sheldon, MP, chairman of the PAC, the select committee which scrutinises use of taxpayers' money. "The speed of the privatisation conveyor belt means they ended up being flogged like overripe oranges on a Saturday night".

The PAC report does not quantify the loss to the taxpayer, but points out the stock market value of the 10 water companies has steadily been higher than the flotation value £5.2bn. Their combined value is now £9.3bn, a rise of 79

In future, it recommends selling tranches of a large company in phases and selling small companies individually, not in a pack.

The report also criticises the level of fees paid to the army of merchant banks and consultants by the Department of the Environment, in charge of the

Evidence given to the committee says that 28.4m paid to Deloittes Haskin & Sells, accountants, and Binnie and Partners, engineering consultants, had soared from an estimate of £3m. "We are concerned that additional payments were made where there was not a clear obligation to do

In evidence to the committee, the DoE said payments of a 22m completion fees to Schroders, the merchant bank, and a completion bonus of £200,000 to Dewe Rogerson, the public relations company, were justified by the success of the floration.

In future, the responsibility for selling companies should be split between government departments, concludes the PAC. The DoE's interest in raising money from the privatisation was at odds with its responsibilities to customers who paid water bills, it said.

# Barclays seeks to halt \$30m Maxwell suit in US

By Raymond Hughes, Law Courts Correspond

BARCLAYS Bank is trying to stop the administrators of Maxwell Communication Corporation suing it in the US for \$30m paid to it by MCC on November 26 1991, three weeks after the death of Mr Robert Max-

The administrators, Touche Ross, claim that the payment was an unlawful preference and should be returned to MCC. They contend that the decision on where to sue for it is a matter for them. In the High Court yesterday Barclays argued that any claim

to the money - part repay-

trators from suing for the return of the money outside the UK and from making any claim for it under the US bankruptcy code. Last December, MCC filed for protection from creditors under Chapter 11 of

US bankruptcy law.

trators were using the extraterritorial jurisdiction of the US "in order to circumvent what would otherwise be an unsuccessful claim under English law".

Mr Nicholas Merriman QC

for Barclays, said the adminis-

# PENSIONS FOR WOMEN: MARKETING PLOY OR MAJOR **BREAKTHROUGH?**

This weekend, the FT looks at flexible pensions: pensions designed specifically for women. Before you make a decision, get an expert opinion.

IN THIS SATURDAY'S

WeekendFT

# LBC HAS THREE FREQUENCIES

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"THE WORST is probably over," says Mark Landini. "It would be an exaggeration to say that the design industry is already recovering from the recession, but there are signs that life is getting easier."

RSCG:Conran, the retail design

consultancy where Landini is joint managing director, has, like the rest of the UK design industry, undergone a painful rationalisation over the past two years. Every area of during the recession, but few have been as hadly affected as design.

The design market is still in the doldrums. There is fierce pressure on fees and intense competition for new business. But the cuts and company closures seem to be abating. Some consultancies, such as RSCG:Conran, now detect a slight improvement in prospects. Where does the design industry go from here? What is the long-term legacy of the recession? And how will it influence the future of the industry?

The most obvious change is the industry's size. The design business flourished in the 1980s when companies were able, and willing, to spend heavily on new corporate logos or lavish retail schemes. But when the economy weakened, design was one of the first budgets to be cut. The number of designers employed by the 100 largest consultancies has halved in the past two years, to 3,800 in 1991, according to Design

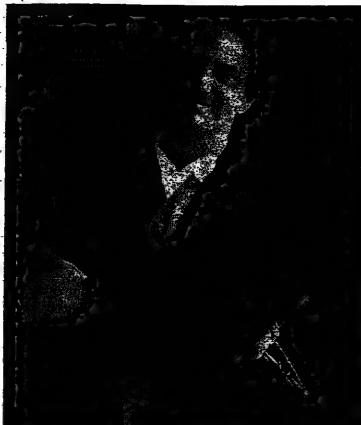
Week magazine.
The recession has also affected the industry's culture. In the 1980s, design consultancies seemed benion imitating advertising agencies, by adopting the same pyramidical structures and introducing similar functions such as account management and new business development. Most have since returned to the old model whereby they are run like architectural practices, with designers dealing directly with chents, rather than through interme-

diaries such as account managers. Fitch, one of the most marketingoriented groups in the 1980s, has cut its staff from 300 to 150 over the past two years with most of the cuts. coming from administrative areas. Two years ago RSCG:Conran employed 150, half of whom were designers. It now operates as a sinrie-floor studio with 50 employees, including 35 designers who are responsible for new business and for managing their own projects. This team is augmented by up to 40 freelances at busy periods.

The most resilient companies in the recession have been those that eschewed the excesses of the 1960s. Pentagram emerged unscathed by maintaining its original structure, devised in 1972, whereby the eight partners each run their own design studios but share central overheads. "A few years ago when everyone else was expanding we were

# A slender new look

The design industry has recut its cloth for leaner times, says Alice Rawsthorn



Mark Landini: there are signs that life is getting easier.

accused of being dowdy," says John maturing. This means there are not McConnell, partner. "Now we feel only fewer new projects, but that

Pentagram is now cited as a role model by younger consultancies such as Cartlidge Levene, a graphic design company run as a co-opera-tive by five designers in their late 20s and early 30s. "We all worked for big groups in the 1980s and watched them unravel," says Adam Levens, director. "Design isn't suited to a large scale. We've stuck to our guns and kept the company small so we can be more selective about our work.'

The industry may have shrunk, but the nature of its work is becoming more complex. Some sectors of the UK market, notably retail design and corporate identity, are

the type of work is different. There is less demand from retailers for new design schemes and store concepts, but growing interest in merchandising and product development. Similarly, there are fewer new corporate identity programmes, given that so many UK groups have already done them, and igners are being hired on a consultancy basis to implement and

adapt existing schemes.
"We need to recruit people with expertise in our new areas and to retrain existing staff," says Wally Olins, chairman of Wolff Olins, a leading identity consultancy. "The problem is that it has come at a time when we can't really afford it."

But these changes should benefit the industry by nurturing longer-term relationships with clients. One of the problems has been the ad hoc nature of design projects, which makes consultancies vulnerable to budget cuts when times get tough.

Another important change is the role of technology. Advances in Cad-Cam, computer-aided design, have had a dramatic effect on graphic design, where consultancies can use computers to improve effi-ciency, but also to fulfil functions, such as typesetting, which used to be done externally.

Most design companies are invest-ing heavily in technology. Penta-gram has spent £250,000 since 1990 and Wolff Olins around £750,000. These are substantial sums for an industry which has traditionally required very little capital investment. But the financial benefits are already apparent. Wolff Olins has been able to dispense with its old pool of up to 30 freelance designers because of Cad-Cam.

Eventually technology could also help to strengthen client relation-ships. Wolff Olins and Fitch already have direct computer links to their clients. At the same time it should accelerate the industry's development in that only large consultan-cies can afford the really sophisticated systems needed for big projects. This may eventually make them less vulnerable to cut-price competition from small design firms with lower overheads.

This polarisation should be acceptuated by the industry's international expansion. During the recession the large consultancies have found big projects in other countries, to compensate for the UK downturn. "Our international work has kept us alive," says Rodney Fitch, chairman of Fitch, which now makes two thirds of its income overseas. "I hate to think what would have happened without it."

International projects are not a panacea. There are logistical problems in servicing clients in other countries. Even the biggest design groups cannot afford to maintain large networks of oversees offices. Most prefer to work from London, sometimes supported by small local operations, although this involves investment in recruitment and

Another problem is renumeration. The profitability of international projects tends to be lower than for domestic work, particularly in con-tinental Europe, it is also difficult to recoup additional costs such as

"We're still learning how to oper-ate in other countries," says Wally Olins. "Most design companies have made a mess of it in the past and it's still not easy. But we're getting better. We have to, it's essential for

Cider is breaking away from its rustic image. Now it is aimed at everyone, writes Philip Rawstorne

# Cheers for the producers

RITAIN'S cider industry has kept its sparkle through a recession in which brewers and distillers have encountered their toughest trading conditions

Bulmer, the UK's leading cider maker with a 45 per cent market share, last week reported a 19 per cent increase in 1991 profits. Dealing begins today in shares of

Taunton Cider, its main rival, with most analysts forecasting steadily improving profits despite the less-than-expected splash of its flotation. Since 1988,

cider production has risen nearly poured out of the niche position it once occupied to the most buoyant sectors of the DK drinks market.

sumption declined 3.6 per cent last year, rose 3.1 per cent to a record 76.8m gallons, worth £600m in retail

The single most important factor driving this progress is marketing, Cider sales grew

late 1970s and early 1980s when it became widely available on draught in the country's pubs. This distribution-led growth came to an abrupt end in 1984 when the government increased the rate of excise duty by 47 per cent.
The first general response of the

Socret: NACH

industry to declining sales was to reduce advertising. Between 1983 and 1985, cider advertising was cut by a third. The result was further falls in volume and the growth of own-label ciders. Recovery began with a marked

switch in advertising strategies and the development of products targeted on specific groups. For years, most cider advertising

focused on traditional rustic images, and virtually the only product differentiation was between sweet and dry cider. in 1988, Bulmer increased its mar-

keting expenditure by 70 per cent to £10m and launched a series of campaigns to revitalise its mainstream brands, Strongbow and Woodpecker, by giving them a more contemporary lifestyle image. that of the brewers on a pounds per gallon basis.

Taupton started to push for growth through the development of new products. The successful introduction of Diamond White, a packaged premium cider, was followed by Diamond Blush, aimed at women. Red Rock, "a different kind of cider" was produced to compete with mainstream lagers. It was less gassy than normal cider and was quirkily promoted. Taunton's most

recent brand, Brody, is aimed at drinkers of premium lagers.

Cider production

Gaymers Group (then Showerings) introduced Copperhead, a draught cider, with advertising that gave it an urban image. It also launched K.

a strong premium brand, to compete with bottled lagers. Merrydown, in contrast, continued to concentrate on the traditional premium sector it had created with advertising that concentrated on quality. Each new move stimulated the industry to further efforts. Taunton responded to Bulmer's increased

advertising by intensifying the promotion of its best-selling Dry Black-thorn. The company claimed last year to have accounted for 57 per cent of the industry's total advertising, well ahead of its 33 per cent market share.

Bulmer brought in new products, such as Scrumpy Jack, to compete with Taunton's new premium products; and it mounted a drive to secure greater distribution in free

Advertising expenditure by the cider makers last year exceeded

As a result, the industry has made "major advances in destroy-ing the image that it primarily caters to scrumpy swilling bumpkins", says Jean-Marc Garzon, ana-

lyst at Panmure Gordon. Recent market research by Bulmer confirms the change in consumer perceptions of cider. It is seen as a more "natural" drink than beer, more up-to-date than bitter or stout. Consumers rate mainstream cider brands above rival lagers on

quality; premium ciders compare with premium lagers in the fash-

Cider's rapid growth in the last three or four helped by hot summers, but the survey suggests depends heavily on favourable

It has benefited from lower excise duties than been and the recent defeat of Europroposals to link the tax on cider to that on wine was greeted with

industry. "But the moves towards a more brand dominated structure have made cider less price sensi-tive," says Jonathan Goble, analyst at Barclays de Zoete Wedd.

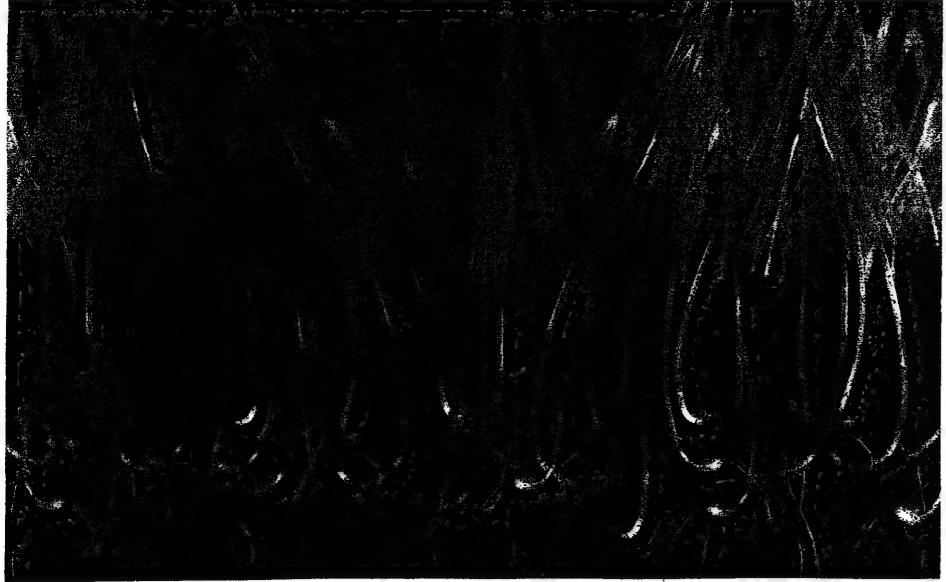
Premium cider brands now sell at around twice the price of standard products and form the most dynamic sector of the market.

Some scepticism remains about the durability of fashion brands; and the declining numbers of young drinkers may have its impact. However, the industry's performance during the past difficult year

has brought optimism. "Clder is very much in tune with contemporary interest and needs; it appeals to both men and women across all age groupe," says John Rudgard, Bulmer's chief executive. "If we continue to invest in the imaginative marketing of both mainstream and new brands, there is an opportunity to make another substantial leap forward. Cider has

the credentials to become the drink

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issan Motor's kitchenclean car assembly plant on Japan's southern Kyushu Island could easily pass for an exhibition of state-ofthe art robotics and computer-controlled manufacturing.

Giant mechanical arms hoist seven stamped, steel panels into position and, amid a shower of sparks caused by 64 simultaneous welds, the main body of a car is created. Sixteen robots then go to work on the body, performing 600 spot welds in rapid succession in two stages.

Today, production on the line is just getting going, but eventually the robots will handle up to four different model styles, in eight different variations, all of it controlled by computer.

Production at the body assembly stage is 100 per cent automated. But more important than the automation itself is that Nissan has managed to build in flexibility, albeit at considerable cost. As Japanese car makers face a

labour shortage that is forcing them to replace human versatility with far less adaptable machines, flexibillty in manufacturing - or rather lack of it - has become a critical issue. Machines are not easily programmed to install different components for different cars coming down the line, and they still lack the dexterity of men.

Market trends have also beightened this need. While the Japanese manufacturers increased sales sharply in the late 1980s, all but Toyota did this by selling more models in smaller production runs. Being able to assemble multiple models on a single line increases the utilisation rate of expensive equipment. Today, with consumer tastes shifting rapidly, some production lines are running flat out, unable to meet demand, while others making less popular models go underutilised.

"Our focus in production engineering is to enhance flexibility." saya Ryuichi Tsukamoto, executive vice president at Honda Engineering, a subsidiary of Honda Motor. "Enhancing flexibility is the best way to get efficient production.

Tsukamoto's strategy involves two broad approaches: one stresses the localisation of parts supply for an industry that has in a decade become global, and a second involves increasing the use of stan-dardised parts and rethinking the design process for cars to allow standardised robots to install functionally different components.

Tsukamoto describes the idealised "lean" Japanese manufacturing process as direct production, which is essentially similar to the production system pioneered by Toyota Motor in the 1950s. Tsukamoto tries to match production capacity for parts

Financial pressures have forced Japan's auto makers to build in flexibility, writes Steven Butler

# More oil on the wheels



Nissan reduces complexity by using fewer parts in different models

and components suppliers precisely with the needs of the assembly line, with suppliers located near the assembly factory and thus able to respond quickly to demands from the factory floor.

Honda more or less achieved this in the 1970s at its two main assembly plants in Japan, in Sayama and Suzuka. However, the start of production in the US in the early 1980s. followed by a period of hectic growth, led Honda far from the deal, as the US plants were depen-

management in order to enhance local flexibility. Honda is the most advanced in giving a long leash to its overseas operations, but all the Japanese companies are heading in the same direction.

The redesign of parts and components themselves has recently become something of a hot topic in Japan, and Yoshifumi Tsuji, president of Nissan, has been most vocal about the need to reduce the complexity of cars, to use fewer parts, and to use more common

With consumer tastes shifting rapidly, some production lines are running flat out while others making less popular models go under-utilised

dent on a long umbilical cord to Japanese suppliers. "Year by year we have been trying to localise parts supply and create direct production in the US," he says.

The US operation is still 20 to 30 per cent dependent on Japan for parts supply. Honda intends to carry the process further, and has recently established separate over-seas operating divisions aimed at decentralising the international parts in different models, thus allowing for greater economies of scale in manufacture. Companies like Nissan and Honda competed in recent years by bringing out new models, which were designed from scratch with little thought about economising on parts supply.

Honda's experience with the 1990 Accord, its bread-and-butter mid-sized car, however, caused the company to rethink the design process.

The car was loaded with new technology, but was panned by the Japmainly on styling grounds, and it flopped with consumers. This begged the question: if consumers were unable to appreciate innova-tive engineering throughout the car, was it all necessary? Might not the use of more standardised parts in different models produce a car of equal appeal and quality?

Tsukamoto is now leading a campaign within Honda to improve what he calls "commonality of design". The idea is not just to put identical parts into different models, but to set standards for installation, for example, putting mounting holes in the same place on different models. The aim is to allow a relatively inflexible robot to install a wide variety of parts. Flexibility in this case comes not from the production line itself, but from the

How far the process can be taken, however, remains an open question, particularly at a time when automobile technology is changing rapidly in response to tightening environ-mental and safety standards around the world. New technology means changing parts designs that will stand in the way of standardisation. Shoichiro Toyoda, president of Toyota Motor, is sceptical. "We

have been trying to use common parts for a long time, but have not been able to do it very well," he admits. Toyoda says that while the concept of using common parts is attractive, in practice it is difficult to achieve without compromising the quality of different models of cars, where the engineering requirements are subtly different.

To some extent, Toyoda's scepticism reflects the relative efficiency of Toyota's engineering and manufacturing process, which has for years set the standard for the industry. There may simply be less room for improvement at Toyota.

Toyota has a double advantage because the scale of its operations is considerably bigger than the other companies, already allowing for greater economies of scale. And Toyota's habit of adopting a cautious, gradualist approach to new technology, in order to avoid making expensive errors, has served it

For the rest of the industry, however, the financial pressure to reinvent the engineering process is intense. With the bloom having come off the car market, there is less to be gained from dazzling consumers with fancy new models. Car makers have little choice but to try to match Toyota's efficiency - and to better it if they can.

A previous article on Japanese engineering for flexibility appeared on the Technology Page on July 16.

BRITISH ENTREPRENEURS

# High hopes in the venture stakes

Louise Kehoe introduces a rare breed of risk takers whose 'can do' attitude is paying off handsomely



"I JUST love building businesses," Michael Skok declares. At "almost 31" he is a veteran entrepreneur with two successful computer software enter-prises to his name and ambitions to exploit the

"almost limitless opportunities of the European software market". Skok's latest venture is European Software Publishing (ESP), based in Maidenhead, Berkshire. Formed in 1988, the company licenses personal computer software products, mostly from US publishers, and markets them in Europe.

"We recognised a problem and set about building a solution," says Skok. The "problem" is the difficulty that many US software companies face when trying to enter the European market. "They see the opportunities in Europe, but they do not have the resources to do it right," says Skok.

He formed ESP to provide marketing, distribution and customer support services for selected software products, initially in the UK and now also in France and Germany. By taking on several software products ESP can achieve economies of scale that elude most individual software publishers.

"It is a simple idea," Skok acknowledges, but one that has proven lucrative. At the end of last year, ESP had monthly retail reve-

Among the first products taken on by ESP were those of Symantec a California software house best known for its "Norton's Utilities" programs. Having increased Symantec's UK monthly sales 50fold over a period of three years, in April ESP sold UK publishing rights for the products back to Symantec for £15m in shares.

This year, ESP has signed exclusive UK marketing agreements with two other US software companies: ON Technology, the company formed in 1987 by Mitch Kapor, founder of Lotus Development, which specialises in communications tools for the Apple Macintosh; and Beyond, which publishes an

advance electronic mail system. Skok describes ESP as a software nursery: "We provide the environment that allows good personal computer products to take root and

flourish in Europe," he says.

An unusual aspect of ESP's strategy is its reliance upon international alliances. Too many British companies fail to "think globally" in the early stages, Skok maintains. He is also convinced that to be accessful software companies need to prove their products in the US market to establish credibility.

Skok speaks from experience with his first software venture, Skok Systems, based in Boston. which he co-founded with his



brother David. They developed a computer-aided design and manufacturing system designed to run on Howlett-Packard minicompu and earned the business annual revenues of \$15m before licensing the program to HP.

He went on to spend two years at Invent, a British venture capital group, before forming ESP four years ago. While he recognises the opportunities of the US market, ok is intent upon building up his British-based company. "We are

with UK management," he says. Yet the UK business environment and culture do not favour entrepreneurial ventures, he feels. The big-

gest cultural barrier is a fear of

failure. "The British school system is highly competitive, but it does not allow for failure," he says. "You have got to be able to take risks, knowing that some of them won't pay off and that you will learn from things that go wrong,"

Also lacking in the UK, he sug-gests, is a "Can do attitude", a degree of confidence and enthusiasm for solving problems that is the hallmark of US entrepreneurs. However, the European software narket is complex, he acknowledges. Attitudes to software purchases vary widely in different countries. "The Germans test every minute feature of a program. In France the user interface is very important so programs have to look pretty. The UK buyer com-

hines a bit of both approaches." Unlike the US, where corporate software nurchases are frequently influenced by end users who badger their data processing departments into acquiring new technology, the European market is "corporate driven", Skok notes. "The individual influence isn't there. We don't have technology junkies!"

More seriously, he notes that too few business people "see it as part of their job to understand computing". On the reluctance of senior gers in Europe to make use of PCs, Skok is unequivocal. "It is disgraceful Surely they must recognise that technology is going to have a big impact on their businesses in the next five years. How can any senior manager not include it on the agenda?"

His vision of the potential of computing is, however, tempered with down-to-earth pragmatism. New software must work with existing systems and provide a tangible business advantage, he says. IT investments must also be cost-justified. "We cannot afford a software revolution, we are not looking for wizzy products, we are looking for

combining US software expertise The series will continue next week.

# FT LAW REPORTS

# Californian suit goes ahead

ARAB MONETARY FUND v HASHIM AND OTHERS Chancery Division: Mr Justice Holfmann:

July 14 1992

ANTI-suit order restraining a defendant from proceeding in a foreign country against a witness will not be granted by the English court if it is unnecessary for the purpose of protecting the court's jurisdiction or enabling justice to be done in

Mr Justice Hoffmann so held when refusing an application by the plaintiff, the Arab Monetary Fund (AMF), for an interlocutory injunction to restrain the defendants, Dr Jawar Mahmoud Hashim, and his wife and son Jafar, from prosecut-ing an action in California against Mr Salah al Hafidh, a former employee of the AMF.

HIS LORDSHIP said Dr Hashim was director general of the AMF between 1977 and

The AMF alleged that he defrauded it of more than \$50m. It also claimed against other defendants including Mrs Hashim and Jafar, on the grounds that they knowingly assisted Dr Hashim or knowingly received some of the money. The writ was issued on

December 5 1988. On the same day, the AMF applied for a world-wide Mareva injunction against Dr Hashim.

The application was supported by a lengthy affirmation

by Mr al Hafidh. Mr al Hafidh was a chartered accountant employed by the AMF as chief internal auditor, after Dr Hashim had left.

He described in his affirmation how he had found apparent irregularities in the accounts. Large sums had been paid into accounts controlled by Dr Hashim in AMF's name. The money had been transferred to Swiss accounts in the name of Dr Hashim and his

The AMF had requested an independent investigation by Ernst & Whinney, for whom Mr al Hafidh had worked

before joining the AMF. Their report concluded that there was prima facie evidence it was just and equitable that of fraud by Dr Hashim. proceedings in his own court

Together with a report by Swiss experts on what had happened to the money in the Swiss accounts it formed the basis of the Mareva applica-Similar relief was granted

against Mrs Hashim and Jafar. The trial had been fixed for January 1993. Mr al Hafidh resigned from the AMF in 1989 and emigrated

to California. In October 1991, Dr and Mrs Hashim and Jafar commenced proceedings against him in the Los Angeles County Superior

The essence of the complaint was that Mr al Hafidh's affirmation was a false and malicious invention and part of a conspiracy between him, Ernst & Whinney and the AMF, to ruin Dr Hashim and his family. The bedrock of those allegations was the question whether the AMF was right in saying

Dr Hashim stole its money. If that turned out to be true. the case against Mr al Hafidh would collapse. That was the question which would be investigated in the English proceed-

If the AMF's case failed, the English court would not be concerned to enquire whether Mr al Hafidh acted in good faith or with malice. He was not a party to the English action and not subject to the

In those circumstances, the AMF applied for an injunction to restrain Mr Hashim, his wife and Jafar from prosecuting the Californian action until after

court's jurisdiction.

the English trial. There was no doubt that the court had jurisdiction to grant such an injunction. The order was not directed to the Californian court but operated in personam against the respondents as persons subject to the jurisdiction of the English court. Dr and Mrs Hashim were resident in the UK and Jafar, though resident in Canada, had sub-

mitted to the jurisdiction. It was well established in the UK, as in the US, that an injunction to restrain proceedings in a foreign jurisdiction (an "anti-suit" injunction) should be granted only in very narrowly restricted circumstances. Generally speaking, the foreign judge was in the best position to decide whether

Such an order would be granted only if prosecution of

the foreign proceedings appeared to be "vexatious or oppressive". Cases in which anti-suit

injunctions had been granted or refused showed that "vexa-tious or oppressive" had been given a very restrictive interpretation. They showed that it was not

sufficient that the action should be vexatious or oppressive in the ordinary domestic sense in which such actions might be struck out. That was a decision which ought proparly be left to the court before which the proceedings were pending.

There had to be some good reason why the decision ha be made here rather than

It might be because there was a conflict of national policy between the UK and the foreign tribunal. The injunction might be needed to protect the jurisdiction to prevent a litigant from evading important public policies.

When the question was simply one of justice between liti-gants, uninfluenced by differences of national policy, the normal assumption was that the English court had no superiority over a foreign tribunal in knowing what justice

And there might be cases in which, although there was no overt clash of national policy, the realities of litigation before the foreign tribunal might be such as to satisfy the court that justice could be achieved only by enjoining the foreign

Assuming for the purpose of the application that the AMF action might be part of a conspiracy to ruin Dr Hashim, and that its case failed and was shown to be have been a malicious plot to which Mr al Hafidh was party, it would obviously be unjust to prevent Dr Hashim from afterwards pursu-

ing Mr al Hafidh in California. On the other hand if the AMF succeeded in proving its case, it would be an abuse of the process of the court for Dr Hashim to attempt to relitigate that question against Mr al Hafidh.

In such a case the court would restrain a collateral

should be stayed or allowed to attack on its jurisdiction by the commencement of such proceedings abroad. At present however, there

had been no determination of the merits in the UK or US. The AMF claimed that pending trial here the court should grant an injunction to prevent interference with the jurisdic-tion by intimidation of a poten-

The question was whether the injunction was necessary to enable justice to be done bere or to safeguard the general jurisdiction of the court. On that question the following matters were relevant:

First, Mr al Hafidh was not a witness of primary fact. He came on the scene after Dr Hashim had left, and could only depose as to the result of his investigations.

Second, when the present proceedings were commenced the AMF was not intending to call Mr al Hafidh as a witness. He had said he did not want to come. It was as a result of the Californian action, and possibly financial assistance, that

he changed his mind. Third, there was nothing to suggest that Dr and Mrs Hashim commenced the Cali-fornian action to dissuade Mr al Hafidh from giving evidence in the UK. They did not think he would be giving evidence

The object seemed to have been to have the opportunity to examine him on discovery or at trial in Los Angeles. That might or might not be an abuse of process in Calif-

ornia, but did not constitute an interference with the English The court was not satisfied this fell within the exceptional class of cases in which an antisuit injunction was needed to protect the jurisdiction of the

English court Whether the Californian proceedings should be stayed or proceed did not raise any question which could not equally well and more appropriately be decided in California.

For the AMF: Charles Flint For Mr Hashim: Hugo Page (Landau and Scanlan).

The motion was dismissed.

Rachel Davies that the company will soon be half way through its massive

# **PEOPLE**

# Ashcroft answers the call from Betacom which has recently experienced

Ken Ashcroft, Amstrad's corporate finance director, has left the board as part of the company's restructuring.
Ashcroft, 57, explained yes-

terday that he had resigned in order to pursue other business Interests - in particular as non-executive chairman of Betacom, the telephone equipment distributor which is 71.3 per cent owned by Amstrad.

He replaces Roger Rowland who also resigned yesterday; he became chairman last year following the resignation of the founder, Dennis Baylin. Amstrad became the majority shareholder in Betacom -

customer returns - last week after less than a third of Betacom's recent £8.4m rights issue was taken up by other shareholders. The issue was underwritten by Amstrad, which received Takeover Panel approval to take control without making a bid.
Ashcroft has considerable

deteriorating trading condi-

tions, lower sales and higher

experience in the consumer. and consumer electronics industries. He joined Amstrad from Dixons and had previonsly worked for Philips, Ford and Ideal Standard.

finance director he was in charge of the group's City and banking relations, and acted as troubleshooter in cost control and inventories. He said yesterday that as chairman of Betacom's independent board his first task would be to "steer the company back into profitability in the UK market".

Ashcroft, whose departure from the Amstrad board appears to have been amicable. added that he had decided to leave the Amstrad board and "try something else" earlier this year, before the Betacom opportunity opened up.



# Sir Bryan takes the tractor hot seat



Sir Bryan Nicholson, chairman and chief executive of the Post Office, is to be the next chair-man of Varity Holdings, the UK maker of Massey Ferguson tractors and Perkins diesel engines. He takes up his new post in January and will also join the board of Varity Corpo-

ration, the US parent.
Sir Bryan, 60, will fill a post
which has been vacant since Michael Bird, Varity's longserving UK chairman, died last year. Sir Bryan had announced some time ago that he intended to step down as a full-time chairman and chief executive of the Post Office when his contract expires in

He has already agreed to take on the chairmanship of BUPA, the UK's leading inde-

pendent health care organisa tion, but he had indicated that he would stay on as a part-time chairman of the Post Office until March 1993. His decision to take the Varity job will put further pressure on the government to pick a suc-cessor. There is growing spec-ulation that the authorities will use the opportunity to split the job of chairman and chief executive of the Post Office, Britain's biggest

nationalised industry.

Before joining the PO in 1987, Sir Bryan had been chairman of the Manpower Services Commission for three years. However, he has spent the bulk of his career in international business, having started as a Unilever manage■Sam Jonah has been appointed a director of LONRHO. Jonah, now 42, won a Lonrho scholarship to the Camborne School of Mines in 1969 and has an MSc from Imperial College. He has been an associate director of Lonrho since 1991 and md of Ashanti Goldfields Corporation (Ghana) since 1986 and has worked there since 1969.. He is president of the Ghana

■ Sir Alistair Grant has been appointed an ordinary director of the BANK OF SCOTLAND. Sir Alistair began his career at Unilever and moved subsequently to J Lyons. In 1977 he was appointed md of the companies which formed the Argyll Group, becoming deputy chairman and chief

Chamber of Mines.

executive in 1986.

# Grove hands over water to Pitcher

Dennis Grove, chairman of North West Water, the former regional water authority which has had to implement the biggest programme of improvements in the privatised industry, is to retire next spring: he reaches 65 this month. He will be succeeded by Sir Desmond Pitcher, the current NWW deputy chairman who has recently announced his intention to step down as group chief executive of the Littlewoods pools

and retailing group.

The state of the s

Grove, chairman and chief executive of Sonoco Europe and a vice president of Sonoco International before he became chairman of NWW in 1985, says



£5bn capital spending programme, and that it is a good time to hand the challenge on to someone who could take it through to completion.

"Sir Desmond is widely expe-

rienced in the north west, nationally and internationally, and is ideally qualified for the job; his business background has given him the closest practical knowledge of new technology. As an added bonus he has an intimate knowledge of and commitment to the north west of England," Grove says. Sir Desmond, who will become non-executive vice chairman of Littlewoods when he ceases to be chief executive

next March after 10 years in the job, said it was time for him to take a different role. "What could be a more natural move than to an organisation which is doing more than any other to improve the environ-ment of north west England?"

Ray Weekes, chief executive of ROTHMANS HOLDINGS, the Australian tohacco group in which Rothmans International has a 50 per cent

share, has resigned. Lord Swaythling, chairman of Rothmans International. said: "He has not been fired. He has resigned for reasons of his own. We shall miss him very much and we wish him

Weekes's resignation follows "severe problems related to the marketplace" which the Australian operations had suffered during the past year, Lord Swaythling added. John Utz, Rothmans Holdings chairman, will head a management committee which will be responsible for operations until a new chief executive is appointed.

# Romeo and Juliet

Clement Crisp

Tuesday night in his debut as a Royal Ballet Romeo, we could see rather different qualities from those that had made his reading of the character so memorable with the Bolshoy. A consummate dance actor, he gave an emotional precision

to the sweep of Grigorovich's dances, when the choreo-graphic vision seemed to me somewhat generalised. With Kenneth MacMillan's creation, dramatic detail is part of the fabric of the role, and in exploring this very different approach, Mukhamedov was no less convincing, and mov-ing. So, in the ball-room, we first see him still youthfully caught up in his infatuation for Rosaline (and Mukhamedov asserts, more clearly than any . other Romeo I recall in Mac-Millan's opening scene, that it is an infatuation).

But his attention turns towards Juliet as she embarks upon her solo, and we know the flare of his feelings. He is intrigued, then held by her beauty - he tells Mercutio of his fascination - and when at

ATCHING Irek last the two young people gaze Mukhamedov on at each other, we see the lightning strike.

The later progress of the scene, where MacMillan sets the interplay of a new love amid the social graces and social tensions of the ball, sug-gests the blaze (and the subterfuges) of illicit passion, which will explain all that follows. Mukhamedov plays this superbly well. Moments that have, with other interpreters, been lightly sketched, achieve a poignant intensity which reaches the heart of the character. The reading is ardent in everything, and ardently done.

The action is fired through-out by Mukhamedov. He is not yet at ease with some of the dance: the lighter accents, the way the choreography makes fluid phrases, sit somewhat at odds with his heroic and physically dense manner. But he is everywhere Romeo, from the laughing youth of the first scene to the agonised man in the tomb whose handling of Juliet's body has a chilling verismo - we sense the weight of the supposed corpse, and the near hysteria of this Romeo's feelings for it

Yet it was in some ways a performance played in isolation. There seemed too little rt between <u>Mukham</u>edov and his Juliet, Viviana Durante, Miss Durante made an impressive debut in the role two years ago, but on this ion her portrayal looked self-contained.

That both artists can flame with mutual passion we know from Manon. On Tuesday, it was as if Miss Durante were applying brakes to Juliet's dlong race towards a great love, were holding herself back from Romeo. And impeccable as was the dancing, a Juliet who does not sweep us along on the inevitability of her love is less than Juliet. There was a sound perfor-

mance from the company, with Stephen Jefferles a tremendous Mercanio, He and Mukhamedov are cut, as artists, from the to their playing, only drama vividly felt, vividly shown.

The Royal Ballet season continues at the Royal Opera House, Covent Garden, until 8 August, with Romeo and Juliet alternating with La Bayadere

**London Promenade Concerts** 

# Holt and Dillon

EW works are distributed unevenly through this year's Proms. There are nine premieres promised altogether, and after just five days there have been first performances of works by James Dillon and Simon Holt, while the next week or so offers four more, from Tavener, Casken, Bennett and Goehr.

It promises to be a highly varied clutch of noveities, and certainly expectations were bountifully rewarded on Tuesday, when Holt's viole concerto was introduced by the indefatigable Nobuko Imai, with the BBC Philharmonic conducted by Yan Pascal Torteller.

Borrowing its title from an artwork by Richard Long, walking with the river's roar takes Holt's development forward in a giant stride. It contains music of great power and expressive range within a consistently inventive and highly charged 20-minute span.

The work has had a protracted history; it began life down as a piece for viola and orchestra but even then was discarded and begun again. Along the way it was trans-

tribute to Holt's father who died while he was a teenager, and coloured also by the death three years ago of Michael Vyner, artistic director of the London Sinfonietta and one of Holt's most fervent champions. That sense of loss permeates

the score, though never in an explicitly elegiac way. It emerges more as a scarcely controlled rage in the writing for the solo viola, whose lines are full of fierce multiple stops and harsh repetitions, and in the dark, threatening sonori-ties that cluster about it from an orchestra which contains no violins or bassoons, as if to leave a space around the viola. As the solo sonority teeters on the brink of extinction,

threading its way through the hostile musical landscape, the "river's roar" perhaps of the title, it creates a powerful central image, with other figures and details flitting in and out of focus through the work. Attention is held unwaver-

ingly by the lines of force by the sharp originality of Holt's inventions. On first acquaintance, walking with the river's rour seems a richly

endowed work, which asks searching musical questions of itself, yet answers them all tri-

On Monday, the premiere of Dillon's ignis noster had been wedged between the First Symphony of Sibelius and Strauss's Four Last Songs in the BBC Symphony Orchestra's programme, conducted by Alexan-der Lazarev. Dillon's title is an alchemical one, and the idea of transmutation by fire seems to provide the 20-minute piece with its principal, Skryabinlike metaphor, if not with any detailed programme. The musicel argument is assentially abstract, dense and many-layered, full of accumulations of fierce, rhetorical gestures.

There are few moments of respite, though towards the how can an on-stage comedy of close the textures fended to l congeal in larger-scale events; ideas are huried out at a form dable rate, and tended towards a congested effect, far from the lucid planning of some of Dillon's most recent instrumental since the first filmgoer pieces. Whether a less excit-screamed at the sight of a ance performance migh uncover a clearer structural

scheme remains to be heard.

Andrew Clements



The director and some of the cast of Nothing On, the play within the film of Noises Off, peer from the wings.

From left to right: Carol Burnett, Michael Caine, Marilu Henner, Denholm Elliott, Nicolette Sheridan and Julie Hagerty

Cinema/Nigel Andrews

# Celluloid backstage goings-on

ACT one: stage farces are unfilmable. Fact two: Peter Bogdanovich's effective directing career ended 20 years ago with Paper Moon. (A pale shadow of Mr B has since directed things like Mask and Texasville). Fact three: no film with a cast of Americans affecting British accents can be sat through

without pain.
Fact four all facts are renegotiable. Especially in the world of cinema. Bogdanovich's film of Michael Frayn's play Noises Off is a triumph of single-minded panache over the awful warnings of those who said it could not be done.

You cannot, claimed the Jer-

emiahs, translate to the movie

screen a stage romp about an acting company whose offstage problems - drink, saxual jealousy, professional rivalry sabotage the crisp clockwork of the new farce they are performing on a provincial tour. Called Nothing On, this play is a precision piece about dropped trousers, French windows and mistaken identity. But with its cast nightly rending itself apart in the wings, errors survive the offstage one Equally, how can any play about play-acting survive the ventilating processes of film? Yet cinema, as we know, has confounded expectation ever train. Noises Off continues the

It begins as a distant rumble. with stage director Michael

grand tradition.

voce sarcasm through the tech-nical rehearsal: all sticking doors, misplaced plates of sardines and a drunken Denholm Elliott missing his cue as the burglar.

The train comes closer in "Act Two", with a backstage glimpse of rival thespians Christopher Reeve and John Ritter fighting over the faded favours of prima attrice Carol Burnett. And it snorts deafeningly into the station in "Act Three", as we become the stage audience watching the finished shambles from the front of

If I say I laughed till I cried, I have a dreadful fear the words will be ripped out and stuck on the poster. But I did. Not having seen Frayn's play on stage. I had been told that it crackled merrily for two acts before fizzling out in the third.

But on film the third act is the funniest of all. The text of the play-within-a-play - at this point in the film we know it by heart - is remodelled by the desparate ad libs of a cast who know the sardines will never be where they should be, that the burglar will drop his trousers instead of the lover, that Ritter and Reeve will go on trying to murder each other on stage, and that Miss Burnett will succeed in murdering the English language with her portrayal of a cockney maid. Bogdanovich could have ned out" the phrase of doom - and included

cheap hotels. Instead he whirls

NOISES OFF (15) Peter Bogdanovich

Brian Levant UNIVERSAL SOLDIER

BEETHOVEN (U)

Roland Emmerich

theatre's confined space, magically concentrating our and the cast's attention.

To prepare the film, he rehearsed them in a real stage production of Noises Off, which he then exposed to author Frayn. What fine-tuning followed produced this perfectpitch movie. Every slammed door is in tune with every slammed ego, and every cast member is a thing of beauty and a joy forever.

How not to direct slapstick is demonstrated by Beethoven. Hollywood today believes that the comedy writer's best friend is a dog: see K-9, Turner And Hooch and company. The theme and variations in each case are the same. Every time our punctual, smartly dressed hero prepares to do something which might advance his career or his family's wellbeing, he encounters a scirocco of hair, muddy paws and slob-

The eponymous St Bernard scenes set in cases, parks or in Beethoven terrorises airfreshener tycoon Charles Gro-

American family. The dog is a large and "lovable" nuisance who has escaped from a military experiment laboratory, where it was meant to provide target practice for a new type of super-destructive shell. Instead, chez Grodin, the dog becomes a destructive weapon itself. Farewell the master bedroom; adieu the wall-to-wall carpeting; and how do you expunge muddy pawprints from a \$360 Gucci blazer?

Laugh? We wait like locked in dogs whose noses are pressed to the window for the first sign of life or human interest coming up the driveway. Wit we have already despaired of in reel one.

Edmond Dantes and Amy Holden Jones wrote the script, which when not recycling the same joke about doggy destruction, limps into sub-Disney sentimental whimsy. Brian Levant directs.

Dogs are part of today's cinematic vogue for anarchic inarticulacy. Reacting against the yupple Eighties, with its celebration of chattering selfadvancement, modern movies favour the grunt of the primal animal. Not just dogs but Dolph Lundgren, hulk extraor-dingire. Not just Beethoven the St Bernard but actor-kickboxer Jean-Claude Van Damme, known as the "Muscles from Brussels."

These two co-star in Universai Soidier, a mentally retarded action thriller brought to you by the same zeitgeist that created Arnold Schwarzenegger. Stretchered out of Vietnam his camera-crane around the din and his identikit middle- after a near-fatal grudge fight, for the summer hols.

Lundgren and Van Damme are to be found in present-day Nevada, where they have been re-stitched as semi-robot commandos and work for what appears to be a delinquent subsection of the UN.

They go into international crises with all computer systems bleeping and they can survive knives, grenades and

One day Mr Van Damme has a twitch of remembered humanity and decides to escape with a gorgeous TV reporter (Ally Walker). In hot pursuit is Mr Lundgren, hijacking his outfit's hi-tech command tank and destroying as much of America as he can before passing Go.

This film never even reaches Go. Carolco, the company that gave us 90 million dollars' worth of stunt work in *Termi*nator 2, give us a similar crash diet here. Cars and trucks senselessly

collide; service stations suspenselessly explode; and one stomping hulk with a foreign accent is twinned with another in a duel of guttural grunts. What price Mr Lundgren's

hobby of making necklaces from his enemies' severed ears? Evolution will soon phase out the human sense of hearing completely if it has nought to feed on but crashes, bengs and lines like: "He is a little mixed up, give him ze serum

Revival corner this week is devoted to Peter Pan (U. Odeon Baghdad (U, Barbican). Perfect

# London theatre

NE of the best productions I have seen in the past few weeks is *The Heiress* at the Richmond Theatre. The stage adaptation of Henry James's masterpiece of a novel Washington Square, it has an excellent plot and is beautifully staged. I look forward to seeing it in the West End.

Meanwhile, in Holland Park. Oracle Productions is playing Wycherley's The Country Wife until the end of next week. This restoration comedy has never seemed quite as outra-Fgeously bawdy as is sometimes

good scenes. On Tuesday, director Peter Benedict was obliged to step in and play the key part of Pinchwife himself in the absence of Darryle Forbes-Dawson. He has a wonderfully disgusting leer. Mrs Pinchwife is played by Nicola Duffet who gets steadily better

as the play goes on.
The Holland Park season has grown in stature over the years. Something there whether opera or play - ought to be caught before the season ends on August 22. At the Young Vic there is a

claimed, but it has some very reminder that Guys and Dolls must be among the half dozen or so best musicals of all time. It has dialogue, plot and wit as well as tunes. Precisely because it is so good, it is extremely difficult to do well and is therefore a little over-ambitious for the Youth Theatre. Nevertheless, this is a game attempt and worth see-ing. There is a fine Sky Masterson in Ben Caplan. The production, directed by Karen Stephens and Chris White,

runs until August L

VER since Hans Werner Hense founded the Montepulciano Cantiere Internazionale d'Arte in 1976, he has been fighting strenuously to keep people from calling it a fastival.

It is an uphill bettle, not least because cantiers resists translation, though the awkward work-site comes closest. Henze is right. In Montepulciano there exists a special, fruitful relationship between town and Cantiere. The audience has little of the glitter of, say, Spoleto. Although there are sponsors (BMW notably), there are no signs of commercialisation. The youth of the performers, the presence of students, establishes a campus, summer-school

And yet, the townspeople and visi-ture who continue to call this a Festival Malcolm Rutherford are right, too, if by festival is meant

Henze's Montepulciano special place and time for special cul-

tural events. This year's opening work was Pais-ielio's Re Teodoro in Venezia in a version devised by Henze himself, scored for a small orchestra made up of students from the Royal Northern College of Music and a group of young Germans mostly from Munich.

Paisiello's comic opera is a work of great charm, and Henze's revision retains all of the comedy, enhances Paisiello's affecting vocal writing, and adds a good deal of fun on its own. Henze has allowed himself total freedom, in particular, with the recitatives, in which the piano plays a preeminent

role. The director Lorenzo Mariani

worked closely with Henze, so music and production were ideally blended. At the Burgiheater in Vienna, Paisiello must have had a superlative cast for the premiere of Re Teodoro; true to its tradition, Montepulciano used young and virtually unknown singers, but what they lacked in vocal expertise they made up for in verve. Actually the soprano Patrizia Ciofi, who has only recently made her debut, is a genuine find: the voice is agile and true, but not

stage presence.
The mezzo-soprano, Paola Roman, got up as Marilyn Monroe (or as Madonna got up as M.M.), acted with bravado, but her singing was unexcit-

icy. She also possesses a confident

ing. The same could be said of Piero Guarnera, the Teodoro, though he made something positive of his part. Despite occasionally unintelligible enunciation, Alessando Svab, as Tad-deo, the buffo innkeeper, displayed an appealing voice and a welcome sense of humour.

The young conductor Gluseppe Mega, a Montepulciano regular, kept stage and pit together, and his little orchestra played with great style. Mariani's final gag - a shower of fake money -had the older members of the audience applauding heartily while the children scrambled around collecting the bank-

For Henze and the performers it may have been a work-site, but for everyone else it was a festo.

William Weaver



# AMSTERDAM

Concertgebouw 20.15 Piano Frecital by Alexei Sultanov, with works by Beethoven, Chopin, Scriabin and Rakhmaninov. Sun: Melvyn Tan fortepiano recital. Next week: Elly Ameling (6718

## ATHENS

ATHENS FESTIVAL Tonight's performance at 21.00 at the Odeon of Nerodea Attions is The Grazed Surface, a guest production by Sankai Juku (Japanese Buto Dance Theatre), repeated tomorrow. Sun: Miltiades Caridis conducts the Greek Radio Symphony Orchestra and Chorus In works by Massenet, Strauss and Orff. with Jenny Drivala soprano soloist. Next week: American Ballet Theatre (322 1459). EPIDAURUS FESTIVAL The annual festival of ancient drama in the 14,000-seat amphitheatre at Epidaurus has

plays by Sophocles, Euripides,

Aeschylus and Aristophanes on

most weekends in July and August. Tomorrow and Sat: Aristophanes' The Knights, in a production by the National Theatre of Greece. Next week: Sophocles' Antigone. Performances begin at 21.00. Tickets are available daily at the Athens Festival box office (322 1459), or at the theatre of Epidaurus every Thu, Fri and Sat (0753-22006).

# BERLIN

 Peter Zadek's production of The Blue Angel can be seen daily except Mon at Theater des Westens, with Ute Lemper and Eva Mattes alternating as Lola, the night club singer who captivates Professor Reat (West Berlin 3190 3193). Freillembuhne an der Zitadelle has jazz concerts

tomorrow and Sat, plus a production of Shakespeare's A Midsummer Night's Dream from next Tue (West Berlin 331 6920). Hebbel Theater has performances of Die Zauberflote on Tue, Wed and Thu next week (West Berlin 251 0144). • Theaterkasse im Europa-Center has an information and ticket service for Berlin

# ■ BUDAPEST

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State Opera The repertory includes Madama Butterfly (Sat and Tue), Don Giovanni (Sun and next Thu), a double-bill of Bartok stage works (Mon and Wed) and

(Tauentzienstrasse 9, tel 261 .

a ballet programme (tonight and tomorrow). Performances begin

Merlin Theatre Stalin and Other Voices: two one-act comic operas sung in English. Tonight, tomorrow, Sat and Sun at 20.00 (Gerioczy u 4).
Margaret Island Tomorrow at 20.30: open-air performance of

Il trovatore. Hilton Hotel Tomorrow: operetta concert. Tue: folklore performance by Duna Dance Ensemble (Hess Andras ter 1-3, in Dominican Court). Pre-booking for concerts at National Philharmonic Booking Office (Vorosmarty ter 1) and for opera at the Central

Theatre Booking Office (Andrassy

ut 18), also at theatre box offices.

# **■ GLASGOW**

THE FLAVOUR OF SCOTLAND Next Friday (July 31) in the Strathclyde Suite of the Royal Concert Hall, Bill McCue hosts the first evening in a series entitled The Flavour of Scotland, a traditional Scots supper with entertainment. McCue, one of Scotland's best-loved singers and a renowned operatic bass, will be singing traditional Scots melodies and telling tales of the past, with the help of other entertainers. The menu for the evening includes Scottlah poached salmon and salad, haggis, neeps and tatties, plus Scottish cheese and oatcakes. The series runs every Friday and Saturday till September 12 (041-227 5511). ● Giasgow's Royal Concert

Hall also hosts the annual summer concert of the National Youth Orchestra of Scotland on Monday (July 27). Louis Fremaux conducts works by Walton, Elgar, Britten and Ravel (041-227 5511).

## LONDON THEATRE

 Philadelphia, Here I Comel: Dan Crawford's excellent production of Brian Friel's poignant, autobiographical 1964 play comes to the West End after a six-week run at the King's Head in north London. Opens Tue (Wyndham's 071-867 1116). Shades: Pauline Collins stars in Sharman MacDonald's new play about claustrophobic family

relationships, directed by Simon

Callow. Opens tonight (Albery 071-867 1115). Columbus: Jonathan Hyde takes the title role in Richard Nelson's epic new play for the Royal Shakespeare Company. In repertory with Romeo and Juliet (Barbican 071-638 8891). Lady Be Good: Gershwin's classic musical, starring Bernard Cribbins, opens next week in

Regent's Park (Open Air 071-486 2431).

A Misummer Night's Dream: Robert Lepage directs the National Theatre's new Shakespeare production. In repertory with George Farquhar's The Recruiting Officer and G B Shaw's Pygmalion (Olivier, 071-928 2252).

the UK: Plays 0836 430959

 For ticket information about all West End shows, phone Theatreline from anywhere in

## Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 DANCE

Covent Garden 19.30 Royal Ballet in Kenneth MacMillan's production of Romeo and Juliet, with Sylvie Guillem, also Sat. Tomorrow: mixed bill including MacMillan's Elite Syncopations. Season runs till Aug 8 (071-240 1066). Coliseum 19.30 Alvin Alley

American Dance Theater mixed

bill. Season runs till Aug 1 (071-240 5258). Tomorrow at Royal Festival Hall: English National Ballet opens a month of performances with Ben Stevenson's production of Cinderella (071-928 8800). Sun and Mon at Bloomsbury Theatre: Prague Festival Ballet in three choreographies by David Slobaspyckyj (071-387 9629). PROM CONCERTS

Tonight at 19.30, Richard Hickox conducts the BBC Welsh Symphony Orchestra and Chorus in John Tavemer's new choral work and Beethoven's Fifth Piano Concerto (John Lill). Tomorrow and Sat: Christoph von Dohnanyi conducts the Cleveland Orchestra, Sun; semi-staged performance of Glyndebourne production of The Queen of Spades, Mon: Oliver Knussen conducts the BBCSO. Next week's concerts feature the Budapest Festival Orchestra, the Royal Liverpool Philharmonic and a John Casken world premiere (Royal Albert Hall 071-823 9998). Tomorrow in Barbican: King's Singers. Sat:

Neville Marriner conducts the

## Academy of St Martin in the Fields. Sun: Ted Heath Band (071-638 8891).

**■ MARTINA FRANCA** 

FESTIVAL DELLA VALLE D'ITRIA The festival opens on Saturday with the first of three performances of Gounod's Romeo et Juliette. On Sunday. Fabio Luisi conducts the first of two performances of Cimarosa's Il matrimonio segreto. Monday's programme is a concert performance of Rossini's little-known Demetrio e Polibio. Between Aug 1 and 4, there will be daily choral concerts in the Cattedrali Barocche della Puglia featuring sacred works by two 18th century Italian composers, Pergolesi and Cafaro. The festival ends on Aug 6 (Palazzo Ducale, 74015 Martina Franca. Tel 80-705100).

# **SANTANDER**

The annual Santander Festival in Spain opens tomorrow with a concert by the Schleswig Holstein Festival Orchestra conducted by Georg Solti. Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Porgy and Bess with Simon Estes (Aug 4) and a Mahler programme (Aug 9). The focus will be on Spanish and Latin American music, including a zarzuela anthology with Alfredo Kraus. The dance programme includes the Martha Graham and Alvin Alley companies (July 31 to Aug 4), Cuban National Ballet and Ballet de Monte Carlo (42-210508).

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from FTTV
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what's new in European medis
business
2130-2200 (Wed) FT Business
Weekly ethels by Index poort Europe Report 0830-0900 (Fri) FT Business

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

0900-0930 World Business This Week - a joint FT/CNN production 1900-1930 World Business This

Super Channel 1930-2000 FT Eastern Europe

BUNDAY

CINN 1030-1100, 1800-1830 World Busi-

Super Channel 1800-1836 FT Business Weekly

Sky News 1330-1400, 2030-2100 FT Business

# **FINANCIAL TIMES**

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Thursday July 23 1992

# From chronic to critical

ally. But amid the stale and corrupt atmosphere of Italy's politics, Professor Giuliano Amato represents a breath of fresh air. The new prime minister knows his country is fast heading for a financial crisis and wants to prevent it. Yet his budget plans are too small to make more than a small dent in the bloated budget deficit; and his admirable vigour has blown away the veil of complacency that masked the eyes of the world's financial markets, making his task even more difficult. Success requires emphatic parliamentary support for a more ambitious budget package. Failure remains the more likely outcome.
Italy has been living on bor-

rowed time for almost a decade. Membership of Europe's exchange rate mechanism signifies Italy's determination to remain at Europe's centre. But its politicians have never been able to modernise and slim down the Italian state along European lines. Instead, the ERM and the abolition of capital controls have removed the inflation tax as a source of revenue to fund the Italian state. Rather than cut spending or find new sources of tax revenue, its politicians have been borrowing at an accelerating and unsustainable rate.

Italy's bluff would inevitably have been called sooner or later. It is the only European country in which the stock of government debt both exceeds the annual output of the entire economy and is still rising. Already, in the first four months of 1992, the budget deficit was overshooting its target range by more than 50 per cent.

Yet, ironically, the markets have turned against the lira just when a government appears finally to have realised the seriousness of Italy's plight. The differential between Italian and German short-term interest rates has grown by 5 percentage points since the end of April and by more than 3 percentage points in the past three weeks. And the lira remains close to the bottom of its permitted range within the ERM.

The markets' nervousness reflects, in part, the government's weakness. Mr Amato's team of technocrats, backed by only a slim parliamentary majority, looks fee-

THE ITALIAN state is on the ble set against the massed parliabrink, both financially and mormentary representatives of Italy's complacent vested interests. Yet the government has also made mistakes. Its privatisation plans remain vague, while the clumsy handling of the partial debt default by Efim, the state holding company, can only undermine investor confidence.

Most important, the government's proposed budget package is too small even to stabilise Italy's debt stock this year, let alone start to reduce it. A stable debt ratio is a minimum requirement if the markets are to be pacified. But the L30,000bn in extra taxes and spending cuts is only half the fig-ure that would be required to do the job. Even if parliament agrees to Mr Amato's package, the deficit will remain in double figures while the primary budget, excluding interest payments, will remain in rough balance. Stabilising the debt ratio would require a primary budget surplus of at least

2-3 per cent. The government, as a result finds itself locked in a vicious circle of rising interest rates, slower growth and rising deficits and debt. Every 1 percentage point rise in interest rates adds another L15,000bn to the government's interest bill, pushing the required primary surplus ever higher.

Italy must regain the confidence of the financial markets. It cannot afford to wait until next year's budget to introduce reforms which will set the debt stock on a downward path. To give in to market pressure and devalue the lira, without first putting in place a serious fiscal package, would only further undermine confidence and accelerate inflation. But it cannot go back to the good old days of capital controls, low interest rates and high inflation without waving goodbye to the ERM.

An additional budget package of pensions reform and extra direct taxation is required on a scale which would together cut the bud-get delicit by a further 3 percentage points this year. This package should be presented to parliament as a vote of confidence in the Italian state a vote for modernisation and against accelerating inflation Mr Amato represents Italy's last best hope of avoiding a financial

# Fiscal struggle

desperately trying to regain the control over public finances that it lost in the run-up to the election. That is the most important point to draw from yesterday's announcement, which confirms last year's target for the planning total for 1993-94; sets nominal increases of only around 3 per cent for the following two years; imposes a new top-down planning procedure; and establishes a committee chaired by the chancellor to oversee the whole process of expenditure control.

Confirmation of last autumn's target of £244.5bn for the planning total for 1993-94 would, if successfully carried through in the forthcoming expenditure round, at least end the period when successive upward adjustments had become normal. But without an early and strong economic recovery, it will not be enough.

Nor, given the 4 per cent real increase between 1992-93 and 1993-94 already built in to the figures, is it quite as tough as it looks. The new cabinet committee will have much hard bargaining this year, but that will only be the start of its problems. Meeting the targets for 1994-95 and 1995-96 will be still more difficult.

Last year's spending round was

THE GOVERNMENT is £5.6bn in the government's planin that for 1993-94. These upward adjustments were only partly cyclical. Taking a longer perspec-tive, the latest OECD Economic Outlook argues that there was a structural deterioration of almost 2 percentage points of GDP in the UK's overall fiscal position between 1989 and 1992.

This would have had to stop, in any case. But with the public sector borrowing requirement likely to exceed 5 per cent of gross domestic product this year and to be still larger in 1993-95, it has had to stop sooner rather than later. The most important problem is the lack of economic growth. Only four months ago the chancellor forecast real GDP growth at 2 per cent between 1991-92 and 1992-93 and 3% per cent in the following year. Now there may be no growth this financial year and little next year too. GDP could thus be considerably smaller than the chancellor hoped, which would make earlier spending plans correspondingly untenable. In the long run public spending cannot be allowed

This is a government which has its back against the fiscal wall and knows lt. It is starting to fight a soggy, election-buying affair, hard and everything still depends which allowed an increase of on that elusive recovery.

# Press in the dock

THE PRESS Complaints Commission has again failed to cover itself in glory. A few weeks ago this voluntary body for the self-regulation of the British press met in haste. It decided in accordance with what it regarded as the prevailing winds that it had to issue a statement about intrusion into the private affairs of Princess Diana. A bit of wrist-slapping followed. Yesterday it met again, this time to talk, so it was said, about privacy - but not, heaven forfend, about the past few days of media reports and allegations about Mr

David Mellor's private life. It seems that the prevailing winds have changed. The commission decided that "in the case of politicians, the public has a right to be informed about private behaviour which affects or may affect the conduct of public business." It thus provided an afternoon delight for the editors of Britain's tabloids, a quick piece of work that amended clause 4 of the Mr MacKenzie has made a sustainsion exists to uphold. A strict guilty minister - or shut up.

reading of the clause suggests that what has been written about the "minister for fun" is outside the code. This presented no difficulty to a commission sorely afraid of its press-appointed members. It has simply excluded politicians from the protection of the code.

The remedy for this is to demonstrate that not every quarry falls to the popular pack. Mr Mellor should stay in office, difficult though this may be in the light of the daily revelations about his private life and that of his family. There remains, however, another issue, for which a different remedy must apply. This is the accusation made by Mr Kelvin Mac-Kenzie, editor of The Sun, that during the election campaign a cabinet minister telephoned in a list of names of women with whom, it was falsely alleged, Mr Paddy Ashdown was involved. This story of an attempted smear is an extremely serious charge. If code of conduct that the commis- able case he should name the

oth Nestlé and Brussels can claim victory from the European Commission's approval yesterday of the Swiss food company's FFr15.46bn (£1.58bn) acquisition of Perrier, France's big-gest mineral water group. But while Nestle has cleared an immediate obstacle to one particular deal, Brussels stands to gain an important extension of its merger control powers, which will have a broad and enduring impact on Europe's

to the street, the street of t

industrial landscape.
Although the decision obliges Nestlé to sell some of Perrier's businesses, it can keep those it most wants. As well as Perrier's well-known sparkling water, they include big brands such as Contrexéville and the French group's extensive mineral-water interests in the US, which are at least as valuable.

Equally important, Nestle's politi-cally sensitive relationship with BSN, France's largest food group, remains intact. Mr Antoine Riboud BSN's chairman, played a pivotal role in helping Nestlé defeat a rival bid for Perrier by the Italian Agnelli family earlier this year. In return, Mr Helmut Maucher, Nestlé's chairman, agreed to sell Volvic, Perrier's second-largest brand, to BSN.

However, that agreement threatened to scupper the deal, which was challenged by Brussels on the grounds that it would give Nestle and BSN a duopoly of the French mineral-water market. Had the Commission's merger watchdogs insisted that Nestlé cancel the Volvic sale, that could have jeopardised the economics of the takeover and unleashed a political fraces in

France, indeed, Brussels may be accused of yielding to political expediency by letting Nestlé and BSN off lightly, so as not to rock the boat ahead of France's referendum on the Maastricht treaty in September, Even after the planned disposals. the two companies will together control more than two-thirds of current French mineral water produc-

However, for the Commission, the case sets an important long-term precedent. For the first time. Brussels has explicitly made clear its intention to challenge mergers on the grounds that they would create not just a simple monopoly or dominant position, but an oligopoly, in which several producers jointly dominate a market.

Competition policy experts agree that this is a landmark development, which should in theory enable Brussels to apply the twoyear-old EC merger regulation to large cross-border deals in any industry where the number of competitors is limited. Furthermore, such mergers may be challenged if they threaten competition in only one country, not the whole

hatever their misgivings about the way yesterday's decision was reached, Nestlé and BSN have reason to cheer the outcome. For both companies. proval of the deal opens the way to further expansion in a growing and immensely profitable business. Mineral waters have long been

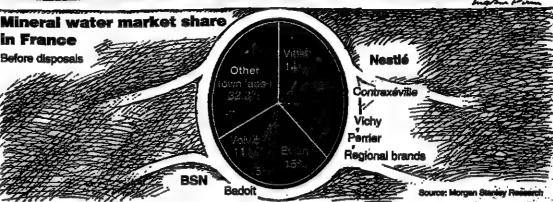
popular in much of continental Europe. But in the past decade, the habit spread rapidly to other coun-tries including the US, Britain and Japan. Though recession has dampened

growth rates, which were running as high as 15 per cent a year in the late 1980s, industry experts believe consumers' concerns with health and the quality of tap water still

The approval of Nestlé's bid for Perrier has implications for EC competition laws, say Guy de Jonquières and Andrew Hill

# Source of change for mergers





Some companies believe the result will be heightened regulatory uncertainty, and at worst severe restrictions on their future expan-

"I think there will be some very major implications for industries like oil," says Mr Stephen Walzer, British Petroleum's manager of international legal affairs. "It effectively means that continued expansion by acquisition is out."

Mr Derek Ridyard of Nera, an economic consultancy, says the impact will be felt in any business where high capital costs limit competitive

lines and consumer industries such as food, where many product categories are dominated by three or four big brands.

Many experts question the legal basis of the Commission's new approach, pointing out that the EC merger regulation nowhere refers to joint dominance or oligopoly. "This is another example of Brussels pushing the boundaries further than anyone had anticipated from reading the text," says Mr David Hall, a partner in Linklaters & Paines, a leading British law firm. Nestlé has angrily accused the Com-

Sir Leon Brittan, the competition commissioner, insists the approach is consistent with the merger regulation, and that he is simply bringing EC policy into line with the practice in countries such as Britain, France, Germany and the US. In all these countries, he says, regulators can challenge oligopo-lies, although only in Germany does legislation explicitly give them the right to do so.

While this view is widely shared by Sir Leon's colleagues, some are concerned by his insistence that Perrier brands which Nestle musi sell. In their eyes, this smacks of excessive interventionism.

What is clear from the growing debate, both within and outside the Commission, is that EC merger policy is advancing into uncharted ter-ritory, where the guidelines may be defined largely by the success of Brussels' efforts to test the limits of

That prospect disturbs competi-tion lawyers. However, many are torn over how loudly to protest. In practice, they admit that the special Commission task force responsible for enforcing the merger regulation has so far behaved with exemplary fairness and pragmatism.

"You may not always get the results you want, but the system is quick, it's usually definitive and you can talk to the people involved." says one lawyer. who contrasts the task force's attitude favourably with the rigid and doctrinaire approach of EC officials dealing with other aspects of competition policy.

ndeed, since the regulation took effect, the Commission has so far investigated in depth only eight of the roughly 100 deals notified to it - and blocked only one. This was the takeover of de Havilland, the Canadian aircraft manufacturer, by Aérospatiale of France and Alenia

attitudes of the individuals in charge of policy. Sir Leon's current term as competition commissioner expires at the end of this year, and Mr Colin Overbury is due to retire as head of the merger task force in the next 12 months. There is no guerantee that their successors will follow the same line.

Many experts believe these uncertainties increase the need for an objective review of EC merger policy, to make it more transparent, predictable and accountable. Under the EC system, that responsibility lies with the European Court of Jus

sions offer only sketchy guidance on the oligopoly question, and it has yet to rule on the Commission's interpretation of the merger regula-That is because the Court can

However, the Court's past deci-

only act on specific cases presented to it, and none of the mergers Brussels has vetted so far has given rise to such a challenge.

Because Court proceedings are lengthy and expensive, the Commis sion's powers may not be clarified until a frustrated acquirer decides formally to contest them. For the growing number of companies and lawyers who are worried that EC merger policy is in danger of becoming an unguided weapon, that day cannot come too soon.

# Water market flows

provide plenty of longer-term potential.

Nestlé first entered the market in 1969 by buying a share of the French Vittel company, of which it acquired full control two years ago. But though Nestlé is the world's biggest producer of chocolate, dairy products and soluble coffee, it has remained until now a marginal player in mineral water.

The business requires heavy investments in marketing, making it cheaper and quicker to grow by acquiring existing brands than by

became available earlier this year, it offered Nestië a once in e lifetime opportunity to achieve world lead-

Perrier owns some of the strongest brands in the business. But its performance has been depressed since a benzene scare savaged its profits two years ago, while the company has struggled for several years to make a go of the string of bottled water companies which it acquired in the US.

Under Nestlé's ownership, results

are expected to recover sharply. There are substantial savings to be made by combining distribution of water from the Vittal and Contraréville springe in eastern France. while Nestle's powerful marketing and distribution clout should boost Perrier's sales and profits, particu-

larly in the US.

The scope for improvement is indicated by the operating margins of 20 per cent or more which BSN has long earned on mineral water. However, Mr Sylvain Massot, drinks analyst with Morgan Stan-

ley, points out that BSN's impressive performance masks a problem. Profits in mineral water depend heavily on being able to keep bottling plants fully loaded, and BSN's results have been so good partly because several of its springs are operating close to capacity.

Output of its Badoit water can no longer be increased without risking damage to the spring, while Evian, BSN's biggest brand, is also expec-ted to hit production constraints in a few years.

BSN's planned acquisition of Volvic from Nestlé will relieve some of the pressure. Not only is Volvic a firmly established brand, with about 11 per cent of the French market, but its spring is still operating well below capacity.

# **BOOK REVIEW**

# No premium on merit

loyd's of London, Britain's insurance market, faces a crisis of historic proportions, Record losses have been made, hundreds of Names the individuals who stake their personal fortunes on its fortunes - face financial disaster, and hundreds more are opting to leave the market, threatening a long-term erosion of the capital base.

The depth of the crisis (and repeated warnings from angry Names that the market is poised on the brink of meltdown) has attracted media attention.

Jonathan Mantle and Cathy Gunn have written the first two of what promises to be a steady stream of books on Lloyd's. Neither for Whom The Bell Tolls nor Nightmare On Lime Street are without

Gunn's somewhat breathless account has clearly been written at speed. But it does contain a good assessment of the damage done to Lloyd's by American asbestos claims, pollution and lawyers, as well as detailed accounts of such matters as the use of new technology at the Lloyd's market.

Mantle's early pages provide an entertaining history of the Lloyd's market, full of telling details: the way, for example, that at the end of the second world war, underwriters "made a fortune" by selling "buzz bomb" policies covering Londoners against death or loss of limb -'death and spare parts' - from V1 and V2 rocket bomb attacks. Mantle weaves the history of Lloyd's by telling the stories of loss-making Names. This is an effective narrative device, and lends shape and coherence to the account.

But both books contain serious weaknesses. Both have been overtaken by recent events. Two independent reports into regulation and management at Lloyd's, which will decisively influence the market's purely from the vantage point of

FOR WHOM THE BELL TOLLS: the lessons of Lloyd's of London By Jonathan Mantle

NIGHTMARE ON LIME STREET: whatever happened to Lloyd's of London By Cathy Gunn Smith Gryphon, £15.99

shape, were published days after Nightmare On Lime Street and For Whom The Bell Tolls appeared in bookshops.

Though the authors can scarcely be blamed for this, both books have other shortcomings. For Whom the Bell Tolls is littered with minor factual errors. At the beginning of the book, Mantle claims that John Julius Angerstein became chairman of Lloyd's in the 1720s, not the correct year of 1795, and again, erroneously, that the 1906 San Francisco earthquake produced cargo rather than fire claims.

Mantle also seems to be unaware of the existence of specialist commercial insurance and reinsurance companies, repeatedly implying that Lloyd's and the London market are one and the same thing.

His purportedly "exclusive" account of the Piper Alpha disaster in July 1988 and the operation of the spiral - the mechanism by which Lloyd's syndicates and companies reinsured each other's exposure to catastrophe losses - fails to mention the significant participation - and losses - of reinsurance

Neither author gets to grips with the central business problems faced by Lloyd's. Mantle's failure is particularly conspicuous because he tells the story of Lloyd's problems

the worst hit and most vociferous

While the views of outside Names are accepted on face value and quoted at length, there is little evi-dence that Mantle has talked to anybody who works at Lloyd's. Of the 86 sources listed at the beginning of his book, few, if any, are active underwriters or brokers. Not surprisingly, Mantle fails to

describe adequately, or to analyse, the peculiar business structure of the market, in which the relationship between the Name and the agent is probably a unique form of capitalist association. Instead he lumps agents, the mar-

ket, syndicates, and the corporation together in a catch-all category of the establishment. This elite of greedy and morally bankrupt insiders collectively conspires to the detriment of thousands of gullible and defenceless investors, Mantle indi-

To criticise this approach is not to suggest that the working Names do not, on average, do better than outsiders, or that all in the Lloyd's garden is rosy. As a report by a committee headed by Sir David Walker, the outgoing chairman of the Securities and Investment Board, made clear earlier this month, insiders "tended overall to fare better than external Names", though not "in general and in most years, on an immodest scale given [their] inevitably superior market knowledge".

Sir David's report also contains trenchant criticisms of the way Lloyd's has conducted its business - poor management by agencies, poor underwriting by underwriters and inadequate regulation.

But Mantle's obsession with con-

spiracy blinds him to these serious issues and lets those responsible off

Richard Lapper

# **ENERGY**

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# ECONOMIC VIEWPOINT

# Financial talking classes lack credibility

stability, so-called opinion formers lose heart and ask: what is wrong with a little inflation? The worst offenders are the financial talking classes, and it is they rather than the government that display the main credibility gap.

Most human endeavours fail; but that is no reason for gloat-ing at the prospect of defeat when there is the best chance of success in more than a generation. Shakespeare's Henry V said before Agincourt: "He which hath no stomach to this fight, let him depart." If it were a financial battlefield in Britain, it would be deserted before a shot had been fired.

Saying why inflation is bad-

is a thankless task: not because the arguments are weak, but because they are stronger than any one person is able to call to mind at any one time. They resemble the case for honesty or sanctity of contract in that they embody far more accumulated human wisdom than any one person can hope to command. For practical purposes, however, we need only recall the remark of Eugene Black, an early head of the World Bank, that a little inflation is like a little pregnancy; it is liable to increase

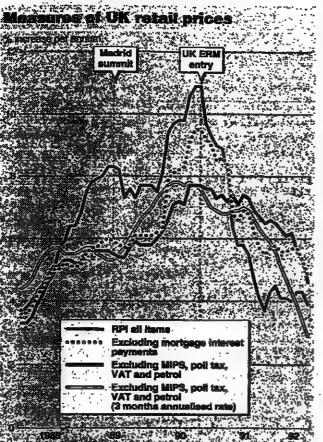
Tim Congdon has in the July Gerrard and National Economic Review made a valiant attempt to give some specific instances of the harm done by inflation continuing to hover around 2 or 3 per cent per annum. The first is in the labour market, where the whole iniquitous institution of the annual pay round is based on the assumption of perma-nent inflation. The practice takes up scarce management time and is the most important reason for union activities.

He also points to the key importance of the interest rate assumption in any long-term contract. Unpredictable oscillations in inflation between zero and 5 per cent "would remain a costly nuisance to savers and investors and to companies and their banks". High and volatile inflation is not the only reason for the state of the world banking system - credit sprees followed by painful contractions occurred under the Gold Standard - but it has made a powerful contribution.

To my mind, the clinching long-term trade-off — in plain English, no true choice between inflation and unemployment. If so, we might as. well enjoy the benefits of sta-

ble prices without an endless debate on what they are. Few would deny that there is a transitional cost of reducing

**By Samuel Brittan** 



and high unemployment monetarists, moreover, betray their most cherished principles when they speak as if the cost could be avoided by leaving the ERM. There is, however, plenty of casual evidence that the effort to reduce inflation hits a resistance berrior when any government tries to go below the creeping rate to which we have become used even in the better periods since the second world war. One conspicuous example is:

the perversity of commercial A little bit of landlords who inflation is like insist on flerce rent increases a little bit of for small busipregnancy; it is nesses when contracts are liable to increase -renegotiated universe is bounded by the

The desire not to prolong the US had before 1983.\* The countransitional agony longer than try's Consumer Price Index wanting to know when the goal of stable prices has been achieved. We are not very well served by the Consumer Price Indices, the British version of which is known as the Retail Prices Index. How ambiguous the message is from such indi-

cators is shown in the chart.

The headline measure saw

inflation rate from 3.3 per cent at the beginning of 1988 to 10.9 per cent in the autumn of 1990, followed by a collapse to 3.9 per cent this June. If we take off transitory knock-on influences such as mortgage interest rate changes, the poll tax, VAT increases and the Gulf-induced fluctuations in petrol prices, we get a much smoother picture of inflation. There are other problems

today. On a 12-month basis, the

underlying rate is still well above the headline one; on the basis of more recent syidence it is below it. The British

problem with the RPI is far from unprecedented. Professor essumption of continuing sub-stantial inflation. Robert Gordon reminds us of a much worse problem that the treating home-owners as if they were all paying an adjust-

able-rate mortgage.

The distortion reached a maximum in the first quarter of 1980 when the CPI registered an annual rate of increase close to 18 per cent at a time when the GNP deflator never exceeded 9.3 per cent. The bad

CPI news "led a panicked Carter administration to impose temporary credit controls, which in turn caused a sharp V-shaped recession". By contrast the Fed, under Paul Volcker, maintained a steadfast policy throughout 1979-82 that ignored temporary shifts in the CPI and instead went by the underlying measures.

This episode not only led to a complete revision of the treatment of housing in the US CPL hut to greater emphasis on a "core" inflation rate. Gordon says that the surest recipe for transition to Brazilian-type inflation is an unholy quartet of monetary accommodation, supply shocks, full indexation of public sector wages and transfer payments, and "incorrect inflation measures that allow higher nominal interest rates and indirect taxes to feed into measured inflation, fuelling the spiral of higher wages, benefits, and prices". The author recommends an alternative CPI for policymakers in every country "that excludes interest rates, indirect taxes and, optionally, food and energy costs".

There are, however, even more important long-term indices try to adjust for quality improvement, but with incom-plete success. The author believes that US consumer durables have been improving in quality by roughly 1.5 per cent per annum over and above anything reflected in the CPI. The rate of American inflation is also overstated by what he calls "outlet substitution bias", for example a shift in US retailing to discount chains and other new outlets which is wrongly perceived as a move down-market. He disputes the frequently expressed view that there has been no increase in US real wages for 20 years, by attributing this stagnation to an upward bias

in the price index. For policy purposes we need more up-to-date and better publicised versions of the underlying inflation indicators, which CPI and RPI measures rarely ere. But as far as the long-term goal is concerned, I doubt if we can do better than follow the Alan Greenspan test of regard ing stable prices as a state of affairs where inflation no longer plays a significant role in business calculations. This of exactly which particular which particular index. We shall know all right when the Greenspan conditions have been established. We still have

a long way to go.
\*Measuring the Aggregate Price
Level, CEPR, 25, Old Burlington St, London, W1X 1LB.

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

# **Psychology** and City fraud

Prom Nigel N Graham Maw. Sir, In your leader, "From fraud to farce" (July 17), you say, with reference to the Roskill report's recommendation of trying City fraud cases before a judge and expert lay assessors (rather than a traditional jury), that expert assessors, namely "lawyers, accountants and City practitioners of one kind or another..." would be less than human if they did not "identify more closely with City people in the dock than a jury would be inclined to do". I suggest, with respect, that this statement reveals a funda-mental misunderstanding of

human psychology. Expert assessors would, I am convinced, approach this task with a healthy wish to see the City's reputation upheld and enhanced, tempered (on breaches of a technical nature) by feelings of "there for the grace of God..." Their judgment would not be confused by a plethora of facts and issues (to which they would be no strangers) nor by irrelevancies or special pleading. They would know what was

right and what was wrong, identifying more closely with what was objectively right

than with personalities. Test the issue this way: if you were a defendant in a City fraud case, would you (if given the choice) elect for trial by judge and traditional jury or

## pay undermined by recession From Dr Michael Rowlinson | recession and the need for | mote to be already in place in companies to limit pay rises due to profit constraints. This has exposed the problem for

Benefits of performance-related

and others.
Sir, The impression given by Michael Smith "You pays your money..." (July 20) is that if they are introduced properly, following his handy check-list, then individual performance-

related pay schemes can overcome the problems they have encountered up until now. Like so much prescriptive manage that all problems and contra dictions can be avoided by management foresight. Our research in manufacturing companies raises issues which tend to undermine this view. First, PRP schemes have run

into difficulties because of the

by judge and expert assessors? Justice, speed, efficiency and cost-saving dictate that the latter should be imposed. I end as you did: "The gov ernment should put the job in Nigel N Graham Maw,

From Mr David Blake. said "Everything balances at zero" be was making a joke, due to economic circumstances beyond their control find their

company is in no position to reward such "good" employees. Second, in common with many of the culture change programmes put forward by management consultants, PRF probably requires the type of

PRP schemes of relating indi-

vidual objectives to overall

company performance. Individ-uals may achieve all of their objectives, show strong commitment and get outstanding performance appraisals, but

culture it is intended to pro-

order for it to be accepted. For example, blue collar workers may not be used to the intimacy with their managers needed between appraisers and appraisees. Many disinterested commentators doubt whether corporate culture can be managed, but it is least likely to be changed by anything so prosaic as a payment scheme. Michael Rowlinson, Department of Sociology and

Social Policy, University of Dr Stephen Procter, Prof John Hassard, Louise McArdle and Paul Forrester. Department of Management. Reele University

tion of British Travel Agents

David Blake, London EC4A 1AP

London EC4V 6HD

# Only a joke

Sir. Is it not time somebody told the chancellor of the exchequer that when Keynes

## Abta funds in healthy state

From Mr Michael Grindrod, Sir, You reported ("Plans to widen rescue funds for package tour customers", July 22) that a new fund has been proposed to add further protection for package holidaymakers. However, your story com-ments on difficulties in the travel trade "with the Associa-

recently admitting that its passenger rescue fund will be group collapsed". The fund which your story refers to is indeed the Air Travel Trust Fund, which is administered by the Civil Aviation Authority – not Abta. May I assure you and your readers that Abta's funds are in a very healthy state and, as indeed your association has access to bonds of a value of up to £400m. Michael Grindrod. president.

55-57 Newman Street,

## Dangerous to believe no justification for UK to leave ERM

From Mr Patrick Dennis. Sir, Samuel Brittan's belief ("Don't look for gurus", July 20) that with nominal national incomes rising by 5 per cent

and earnings by 6.5 per cent there is no justification to leaving the ERM is wrong and dangerous. Yes, there is still a big labour market problem in Britain in the sense that earnings growth should be reduced further, leading to falling real wages rather than sharply rising unemployment. However, this is a problem that should largely be attended to directly (ie at the micro level) rather than via the mechanism of the

ERM, especially under current

economic conditions. The twin impact of high real interest rates, which are heading for 7 per cent as inflation expectations are falling, and massive personal and corporate debt which is not being reduced with such low inflation, means that remaining in the ERM could result in irreparable damage to the supply side of the economy. Potentially, mistakes of the 1930s could be repeated of deflating in a depression. Low inflation will not guarantee a recovery and the aim of zero inflation should not be sought.

There are advantages and disadvantages of fixed

exchange rate systems and which are more important depends on the particular economic (as well as political) sit-uation. For the UK, devaluation and, therefore, in effect leaving the ERM, is unlikely to be considered before things get much worse - unless the French referendum is negative because of the domestic

political implications for Mr Major and Mr Lamont on the UK's consequent isolationism on Europe and damage to its anti-inflation credibility. Next year, though, could see the UK economy suffer new problems with growing difficulties over the financial system and this

may result in the UK leaving the ERM unilaterally, if the failure of Maastricht has not already destroyed the ERM.

Finally, I agree with Mr Brit-tan that France should feel more aggrieved than the UK about the impact of Bundes bank policy on French real interest rates given its superior inflation performance, but this is hardly the point. The greater damage to the UK economy means it is crying out for lower Patrick Dennis, 'chief economist Industrial Bank of Japan, Bracken House, 1 Friday Street,

# OBSERVER

# Warburg's insider

■ Once again the House of Warburg has made a novel choice to head its US investment banking business. It has hired Thomas Wyman, 62-year-old ex-boss of the CBS media giant, to be chairman of Warburg & Co Inc.

Warburg, like most of its American and European rivals has in the past given its top US job either to insiders from the securities industry or big financial figures like Anthony Solomon, former chief of the New York Fed.

So why Wyman? The explan-ation lies in Warburg's ambitions in America, where it remains (like other European houses) a small player alongside the large Wall Street investment banks. Nick Verey, an old Rowe and Pitman hand now recalled to do great things back home, is credited with building up both the number and quality of its staff, which has risen from around 200 five years ago to around 350. First Michigan's Perrin Long, an old Wall Street watcher, says the impression is that they're doing a "pretty good job".

Critics, however, suggest Warburg still isn't aggressive standards and needs more clout inside US boardrooms. This is where Wyman comes in. He knows Warburg well, having sat on the parent board for four years besides holding directorships at American General Motors and ICL

# Face shift

Guess whose face beams out from civil service recruiting brochures as one who rose to the mandarin heights despite lacking a degree? The answer is Sir Peter Kemp, whom Citizen's Charter minister William Waldegrave has ousted as his top official after publicly praising him only on Monday as an out-Kemp's successor, Richard

Mottram, is at least a graduate although not from the customary Oxbridge finishing school. His degree is from that erstwhile hotbed of redbrick radicalism, Keele University. His main claim to fame is that he was the star

prosecution witness in the trial of former civil servant Chive Ponting over the leakage of documents on the torpedoing of the Argentine cruiser General Belgrano during the Falklands war.
As private secretary to the then defence minister Michael

Heseltine, Mottram was grilled

for four hours in cumera over the so-called "Crown Jewels", a top-secret document dealing with the events leading up to the sinking. Dealing with Waldegrave

should be a breeze in

Vanishing lady ■ No one knows if British Coal really will have to slim itself down from its current 50 mines to perhaps a dozen big pits. And even if it does, few are prepared to stick their necks out and name the long-term

It's not so long ago that Britain dug its coal in colourful mines such as the Lady Windsor and Marine Six Bells, in South Wales, and Ledston Luck and Kinsley Drift, in Yorkshire. However, these names have been committed to the history books, and the list of pits scheduled to survive come hell or high water has the sound

of a pretty bering bunch. Observer's man at the coalface predicts that they will include Notts pits like



"People who live beneath glass ceilings shouldn't

Thoresby, Ollerton and Wistow and Riccall, and a few others such as Daw Mill in the Midlands and Tower in South Wales. Sadly, it doesn't sound like a place will be reserved for Yorkshire's Prince of Wales in the alimline British Coal Corporation.

■ There's no doubt many a "right gude-willie waught" being taken for auld lang syne at farewell parties in Scotland at the moment. Moreover, the departing guest is probably one of the minority of folk even north of the Border who knows what Burns's phrase

means. He is Selichiro Otsuka, Japan's consul-general in Edinburgh since the consulate opened there last year, who's away next week to a senior post in Bangkok. Known to all around as Ichi, he has beer a diplomatic triumph in Scotland, not least because of his consummate knowledge of its national poet.

his acclaimed performances at Burns Night suppers by winning September's contex in Dumfries for the best recitation of Tam o' Shanter. So translating "gude-willie waught" as goodwill drink should be child's play for him, whereas half of the FT's esident Scots available esterday failed the test. Never mind, though, He save

Ae fareweel

Indeed, until his transfer

came, he was aiming to cap

he'll be looking for a Burns

club in Thailand and if he can't

## Martins' recall ■ Nice to see another old

find one, he'll found it.

Martins Bank man being parachuted into a difficult ituation. Yorkshire-born Harry Taylor, who has been put on the board of troubled Union Discount, won his wings at Liverpool's Martins Bank, as did Brian Pearse, Midland's chief executive. But whereas Barclays took over Martins, Taylor joined the Manufacturers Hamover Trust Company and nearly made it to the top of America's

fourth biggest bank. He is not in the same class as J P Morgan chairman Dennis Weatherstone, but for many years Taylor was regarded as the most successful British banker in the US. While younger readers may never have heard of Martins Bank, it was a super little regional outfit. Barclays lost a great name when it decided to merge it into its own business.

# Horse's mouth

■ The programme has just been published for the inaugural workshop in the European Decade of Brain Research in Brussels, Chairing the September 22 session on anxiety and depression -J Angst from Switzerland.

# Software Sovereign



The Bank of Scotland is the UK's oldest independent clearing bank. Since 1695, it has provided general banking services to personal and business customers, achieving pretax profits this year of £141 million.

The computer systems that support our services are of vital impor-tance," says Tweedie. "And the software that supports these systems is absolutely fundamental."

The Bank uses a variety of Computer Associates' systems operations software for security, scheduling and tape management.

"Our business is completely dependent on CA-ACF2" security software and CA-7" scheduling software, so the software has to be reliable," insists Tweedie.

The CA software has enabled his team to run their systems operations at optimum efficiency, helping the Bank to achieve the best cost-to-income ratio of the UK And - having enjoyed a good

16-year relationship with CA -Tweedie is banking on CA to continue providing reliable software functionality in the future.

"They're very responsive to our needs, and have improved as they have become a more substantial and

mature company. He sums it all up: "Through the years, we have always evaluated CA software very thoroughly against competitive products. There are many criteria: it has to be functional and reliable; it has to interface with other software: and

it has to be cost-effective. "Since 1976, CA has consistently delivered this - and our business has certainly profited!"

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# FINANCIAL TIMES

Thursday July 23 1992



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# The cabinet minister, the actress and the free press

David Marsh says reports on an alleged affair have implications for political power in the UK

THE POLITICAL row in Britain over the alleged extra-marital improprieties of a cabinet minister appears, superficially, to represent one more example of the country's predilection for scan-

dals mixing sex and politics. The imbroglio over the private life of Mr David Mellor, the national heritage secretary, has led to an outbreak of hostility between the press and the government, adding to the troubles of Mr John Major, the prime min-

On the one level, the affair seems just a tawdry distraction from Britain's summer worrying about the recession. The row does, however, have some deeper implications, involving the conduct of Britain's public life and the balance of political power in

British society.

It has raised the stakes in a long-running battle over the freedom of the press – a subject which raises extreme passions among politicians and newspaper editors (if not among all that many of their readers).

The row was sparked off by press investigations into the relationship between Mr Mellor, whose ministerial responsibilities include examining the role of the

press, and an actress. The political uproar has spilled over this week into a separate tussle over alleged "dirty tricks" by the Conservative party

In some ways, the affair is as British as a rain-washed cricket match. More than one ministerial resignation during the last 30 years has been brought about by press revelations of extra-marital liaisons. In the rest of Europe, ministers' sexual peccadillos are rarely, if ever, the object of press

inquiry.
The basic issues in the two cases in the UK this week, however, centre on a commodity which is the stuff of politics everywhere - power.

Mr Mellor is the minister in

charge of deciding whether or not the present system of newspaper self-regulation should be replaced by a statutory code to prevent the press intruding into the lives of public figures. As a junior minister in the Home Office a few years ago, Mr Mellor gave a conspicuous warning that tabloid excesses might lead to statutory action to muzzle newspapers' reporting in certain areas.

Since then a book probing the marriage difficulties of the Prince and Princess of Wales has hardened Mr Major's view in favour of statutory action to curb infringements of privacy.

No one is suggesting Mr Mellor was singled out for journalistic sleuthing because of his ministerial responsibilities for checking on the need for press supervision. against Mr Paddy Ashdown, the ever his ministerial future - the



David Mellor: for the moment the press has the upper hand affair will limit Mr Mellor's ability to conduct a review of newspapers' role in society.

The latest twist in the affair came with a statement on Tuesday by Mr Kelvin MacKenzie, the editor of The Sun newspaper. He alleged that during this spring's general election campaign an unnamed cabinet minister had tried to leak details, which turned out to be untrue, about Mr Ashdown's private life.

The Sun was a staunch sup-

ing the poll campaign, but it also has a particular reputation for lurid sensationalism. Mr Mac-Kenzie's statement appeared designed to put the government further on the defensive over the

issue of newspaper curbs. One important part of the Brit-ish press is indicating that it will brook no interference in the way it runs its business. And the government, for the moment, has little choice but to accept that the media have the upper

# THE LEX COLUMN

# A gamble on spending

foreign exchange and gilts markets would eventually need reassuring on the trend in government borrowing. The cabinet duly promised yesterday that previous spending limits for 1993-94 would not be exceeded. Mr Lamont must now be hoping that the autumn spending round can proceed in an atmosphere of calm.

Whether such hope will prove more tangible than his green shoots of recovery is another matter. The government does not have much of a record for keeping to its targets. The task during the next financial year will be all the harder because growth will be much lower than the 3 per cent originally expected. Unemployment and other benefits will thus considerably exceed expectations and some serious cuts in discretionary spending will be needed if the target is to be

The risk to the equity market is that this will be perceived as yet another blow to recovery prospects. Yester-day's announcement does not undo the fiscal stimulus implicit in last November's spending plans for the current year and in the government's various pre-election pledges. But from now on nervous consumers will be much more aware of the tightness of government purse strings. If that delays the recovery much longer, spending curbs designed to support sterling could have the opposite effect as Mr Lamont comes under yet more pressure to cut short term interest

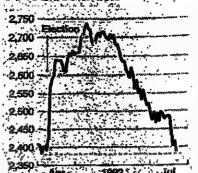
## Eurotunnel

The secondary market in bank loans is all well and good when it is confined to the debt of distant countries such as Argentina and Peru. It is a different matter when it comes to quoted UK companies. The revelation that a small amount of Eurotunnel debt has changed hands at a discount of about 30 per cent to its face value may have a significance out of proportion to the size of the actual deals concerned. Quite apart from the questions it must raise about the value of the company's shares, banks must also begin to wonder about the value of the 14bn or so of loans that the company has already drawn.

Of course, the secondary market in overeign loans has never been a perfect measure of value. In its early stages, particularly, prices fluctuated more in relation to regulatory factors affecting banks' ability to trade the

# FT-SE Index: 2387.9 (-27.7)

# FT-SE 100 Index



debt than to real changes in the creditworthiness of the borrowers. The secondary market in corporate debt is also beset with technical factors which may make prices unrepresentative. One could easily imagine, for example, that Eurotunnel's debt price has fallen victim to a Japanese bank decision to

run down its overseas loan book. That may provide an excuse for other lenders to relax at this stage. But Eurotemnel has had to negotiate a waiver on its banking covenants, and the fact that some of its debt has changed bands at such a large discount adds to the impression of risk inherent in the project. The textbook conclusion would be that if the bankers are under water they are already standing on shareholders' shoulders. There appears even less chance now of lenders providing additional finance beyond that which is already committed, except on terms which would be detrimental to the interests of existing equity investors.

## UK market

While yesterday's further slump in UK equities confirmed that the postelection rally has been wholly reversed, it was also a reminder that the market's preoccupations are not primarily domestic at all. Throughout most of the day the UK market followed the European average, scarcely pausing to acknowledge that the UK trade and retail sales figures were just as expected. Yesterday's worst-hit UK stocks were generally those with high borrowings. But while the UK money market continues to discount a quarter point rise in interest rates, it is striking that there is no immediate pressure on sterling within the ERM. The worry is rather that the system's members are still under general pressure to raise rates in line with Ger-

More parochially, there is still pressure on UK institutional cash flow from government funding. But this would not matter If the institutions did not perceive gilts as inherently more attractive than equities. At the margin, it would help a lot if the dollar were to revive further and Tokyo were to stop hitting fresh lows. But it will take more than that for equities to return to fashion.

## British Aerospace

Spot the odd one out among the following: Booker, Laporte, William Morrison and British Aerospace. The answer is of course BAe: the others all have a market value of more than £800m. The continued plunge of the BAe share price doubtless owes much to the general shakiness of market sentiment. In addition, the company is suffering from a hiatus of news in the period of enforced silence ahead of its nterim results. In particular, there is no word about the sale of the regional aircraft business, while the UK car market is approaching a supposedly disastrous August.

More fundamentally, the stage is being reached where the market is aither wholly wrong about the stock or the company's continuance in its present form is open to question. One aspect of the market's worry is self-ev ident. At the start of last month, the historic yield was 9.4 per cent. It is now 15.9 per cent. If the market's sums are right. BAe looks set to join that exclusive band of companies otherwise mostly in the construction industry - to have raised cash from shareholders and blown it before it can be paid back in the form of dividends the following year.

To justify such a blunder, BAe must argue for a sharp rebound in earnings in the reasonably foreseeable future. This may require the sale not just of regional aircraft but of Rover, plus compelling evidence that the defence business after the EFA still has an attractive future. More fundamentally again, BAe must convince investors that whatever form it ends up with possesses industrial logic, rather than representing a job lot of assets from the privatising days of the 1980s. Come the interims in September, the new chairman Mr John Cahili will have his

# Baker praises Israel over settlements

By Tony Walker in Cairo

ISRAEL has indicated to the US that it will make a "severe and substantial reduction in settlement activity" in the occupied territories, Mr James Baker, the

Speaking after a meeting with Mr Hosni Mubarak, Egypt's president, Mr Baker gave an upbeat assessment of steps taken by the new israeli government towards Arab demands for a settlement freeze pending a resumption of

'I am really very satisfied with the philosophy and the orientation of this new government of Israel towards the question of settlements and I am satisfied that you are going to see severe and substantial reduction in settlement activity." Mr Baker told

istration to rein in settlement activity, and indicate that Israel has virtually assured itself of receiving US loan guarantees to help it absorb a flood

Jewish immigrants. The Bush administration had withheld some \$10bn in guarantees because of the refusal of the previous government of Mr Yitzhak Shamir to halt settlements.

The secretary of state was also clearly using his Cairo press conlerence to signal to Arab states and the Palestinians that Washington expected reciprocal goodwill gestures once peace talks resume, possibly as soon as next

tum are only going to be produced by the parties themselves

reporters. Mr Baker's remarks sitting down at the table. But I an effort to improve relations and were his most positive yet about am very optimistic that we have advance peace efforts. Egypt is an opportunity to see that happens," Mr Baker said. Israel and its Arab neighbours.

including Syria, Lebanon and a Jordanian-Palestinian team, have conducted five rounds of desuitory negotiations since the latest US-sponsored peace effort was launched in Madrid last October. Mr Mubarak, while calling for more concrete steps by Israel to persuade the Arabs that it was sincere about haiting settlement activity, also praised efforts by Mr Yitzhak Rabin, the new Israeli premier. "Do you expect

week?" he asked. "We should not be in a hurry. One week is not enough...please give him time." Mr Rabin visited Cairo yesterday for the first summit between

public spending, are set for a

large rise because of the longer

than-expected recession, the new

policy may lead to cuts in other

parts of government spending,

such as housing and road build-

Whether cuts will be needed

will depend on how much the increases in social security pay-

ments eat into an unallocated

£8bn reserve which is part of the

Under the arrangements, once

cabinet has agreed a control total, the chief secretary to the Treasury will discuss the alloca-

tion of that money with depart-

mental ministers. A new commit-

tee, chaired by the chancellor,

will decide on the final share-out.

• Poor trade and retail sales fig-

ures yesterday added to growing

evidence that the UK economy is

failing to recover from recession.

of imports in June was outstrip-

ped by a drop in exports,

reflecting weakening overseas

markets. The value of exports fell

by 3.5 per cent from £9.2bn in

lay to £8.8bn in June.

A 2.5 per cent drop in the value

£244.5bn total for 1993-94.

the man to do miracles in one

Mr Baker flew to northern Syria late yesterday for a meeting with President Hafez al-Assad of Syria. Mr Assad is the key to US and Egyptian efforts to introduce a spirit of compromise to the negotiations. Syria, which fears attention will focus on the Palestinian issue at the expense of its own demands for the early return of the Golan Heights captured in the 1967 war, has warned its fellow Arabs to treat warily ísraeli peace overtures.

The Syrians have summoned Arab foreign ministers to Damascus this weekend to try to ensure solidarity before the resumption of peace talks.

Building freeze nearer, Page 4

# Israel and Egypt for six years in UK cabinet agrees tough new controls on state spending

By Peter Marsh and Allson

THE UK CABINET yesterday agreed a tough new policy intended to tighten control of state spending.

Increases in government spending will be kept below the expected level of economic growth for the next three financial years and a new procedure for enforcing Treasury control will be

The new approach, put to the cabinet by Mr Norman Lamont, the chancellor of the exchequer, is intended to show financial markets that Britain is determined to limit increases in the public sector borrowing require-

It may lead to cuts in the financial year beginning next April in areas such as education, health and transport.

From next year, the current system under which ministries bargain with the Treasury for extra spending will be scrapped. In its place, the cabinet will decide overall spending limits, with negotiations being limited to how the total is shared out.

Last November, Mr Lamont agreed to increase spending in

1993-94 by £13bn (\$24.8bn) over previously agreed levels. There was also a large increase in spending for the current financial year, in a package designed to appeal to voters ahead of the general election.

The government assumes that inflation will be kept low over the next few years by Britain's membership of the European exchange rate mechanism. As a result of low inflation, increases in public spending at current prices should also be kept low, while maintaining the quality of

The new procedure will feature a "control total", to be decided by the cabinet early in each year's public spending round. The concept will be introduced into next ir's spending round, applying

The definition of the control total - which will exclude social security payments related to unemployment - has yet to be finalised by the Treasury.

For the 1993-94 financial year, the government will stick within its existing planning total for public spending of £244.5bn agreed last November.

Since unemployment-related social security benefits, which

# CBS chief in

out the Jubilee line there is a greater prospect of Canary Wharf being liquidated, according to

London Transport's Jubilee finance to continue working untill the end of August, though it is thought the government together till the end of Septem-

The government has indicated that the extension will be scrapped unless there is a commitment from the private sector to make its £170m contribution

would not pay any money to acquire the project. It would simply take on its huge liabilities. The costs of completing the initial stages of Canary Wharf are estimated at between £400m and £600m over the next two years. that they would also insist that the 11 commercial bank lenders to the project should write off at least 30 per cent - and probably

Editorial comment, Page 10

# rescue talks

Continued from Page 1

bankers.

Line project team has sufficient would allow the team to be kept

Any bidder for Canary Wharf

Potential bidders have said sacrifice would probably also be demanded of the European Investment Bank, which has lent

£100m and boasts that it has

never made a loss on its loans.

"Don't worry, Thompson. They may be younger and fitter, but we're clients

and they're merchant bankers." At Charterhouse, we're dedicated to ensuring that our clients

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# **FINANCIAL TIMES** COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1992

Thursday July 23 1992



## INSIDE

## Cemex cements Spanish links

Cementos Mexicanos (Cemex), North America's largest coment company, has taken a big-gamble in bidding \$1.85bn for Spain's two largest cement companies, Valenciana and San-son. The acquisitions are the largest undertaken in Mexico, and give a company with little experience of managing overseas operations 28 per cent of the Spanish cement market, more than double that of its nearest, competitor. Page 14

Coconuts weather health sours



Early this year Malaysia organized an 11-nation coconut-tree climbing contest to promote the crop. The competition, won by Sri Lanka, was well-timed: since mid-1991 world prices for most coconut products have risen more than 50 per cent in spite of allegations by soysbean producers in the US that tropical oils, which are high in saturated fat, raise human cholesterol levels and are a possible contributor to coronary heart disease. Page 24

## Belgium bucks the trend

Volumes in European stock markets have been depressed since the Danes said "No" to Maastricht, with two exceptions: Belgium and France registered eignificant improvements over May. An analyst said: "Belgium has been one of the best performing markets against a background of general nervousness surrounding the future of the Masstricht treaty." Back Page

## View from the UK Midlands

Industrial groups in the West Midlands, geo-graphical heart of British manufacturing, have had a gloomy reporting season. Paul Cheeseright looks at a cross-section of industry, from carpets and architectural hardware to environmental engineering and foundry products, to establish a guide for the future. Page 19

## Bankers Trust rises 11%

Bankers Trust yesterday reported an 11 per cent improvement in second quarter profits to \$205m, making it the second-best quarter in the New York banking group's history. Page 16

FT/ISMA int bond ave

Managed fund service World commodity prices World street inkt hates

Howlist Packard

Jupiter.Tyndall Korea Exchange

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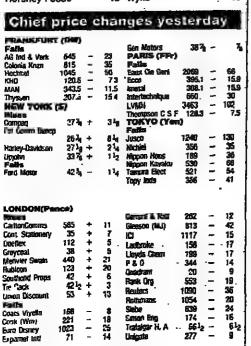
## Companies in this issue

BWD Securities Banc One Bank of Scotland Bank of Seoul Bankers Trust Betacom Border Television Brasway Bristol-Myers British Gas Carlton Comm Chemical Banking Commercial Ban

Aerolineae Argentii Allied Irish Banks

Marks and Spencer McCarthy Menvier-Swain North West Water Pacific Horizon Press & Platgruppen Press & Plaugrupp Press Koygo Property Security Quadrant Group Refuge Reuters Rural Press Samsung Ele Shinhan Cont Station Doellez. Transfer Technology Union Pacific Verson Inti 16 Victoria Carpet

Goldman Hampson Inds Hanil



Wood (\$W)

# **Buoyant Compaq advances 43%**

COMPAQ, the US computer

manufacturer which last month unveiled a new range of cut-price personal computers, yesterday reported a 43 per cent jump in such strong demand for its prod-ucts that it was suffering from a parts, shortage.

Wall Street expectations - pro-vided the strongest evidence yet that the company's new strategy

of competing against clone manufacturers on price, rather than features, was bearing fruit.

The strategy was put in place last auturen after Mr Rod Canion. president and chief executive of the company, was ousted in a boardroom coup.

starting as low as \$399. Second quarter net income totalled \$29m, or 35 cents a share,

a share, in the same period of last year. Sales rose 15 per cent from \$718m to \$827m.

Wall Street's mean earnings per share forecast was 29 cents and the shares rose in morning trading on the New York Stock

ments were up 51 per cent over second quarter of last year and 34 per cent ahead of the first quarter. Strong demand had

caused a considerable product backlog because of a shortage of parts. It expected to have cleared this by the end of the current quarter

Mr Eckhard Pfeiffer, chief executive, said the company was running three shifts in its Houston and Singapore factories and two additional materials"

Analysts, however, said Compaq's failure to forecast demand correctly had angered dealers

switch to rivals.

staff since joining the company

from SG Warburg in June, wip-

ing film off the salary bill.
Leasing, which had caused losses of film in 1991, was

responsible for a further £5.7m of

losses in the first half as Union

provided 26.7m against possible

Provisions against the worst

parts of the leasing portfolio now

amount to 30 per cent, with an

Union changed its deferred tax-

ation policy, resulting in a tax charge in the accounts for the

The company also announced

that Mr George Nissen and Lord Remnant bad resigned from its

board, while Mr Harry Taylor,

deputy chairman of two subsid-

iaries, has been appointed. Mr Blunden said further manage

ment changes were likely.

average for the whole book of

more than 10 per cent.

period of £841,000.

had debts.

Price-cutting policy hit its gross margin, in spite of cost-cutting. The margin dipped from 34.5 per cent in the second quarter of last year to 33.5 in the first quarter of this year and dropped to 30.2 in the latest period.

pany reported net income of or 88 cents a share, compared with \$135m, or \$1.49 a dipped from \$1.7bn to \$1.6bn.

# Interest to be paid on frozen Efim debt

By Haig Simonian in Milan

EFIM, the Italian state holding group which is being put into voluntary liquidiation, will retroactively pay interest on debts frozen after last week's decision

to wind up the concern. The news, given in a clarification by the treasury, countered weekend that no interest payments would accrue for the next two years. That understanding caused widespread concern in the international banking community, unused to the idea of a unilateral rescheduling attempt by a leading industrialised coun-

while the announcement removes one of the many uncertainties facing creditors of Efim, which has total debts of L8,500bn (\$7.39bn), bankers remain highly critical of the poor way information about the closure's consequences for creditors has been handled by the

Italian authorities. Under the terms of the liquiditation, repayments of interest and principal on Efim's debts are being suspended for a maximum of two years while the group is wound up and assets sold. The treasury is to issue up to L4,000bn in government securi-ties from next January to cover the principal of Efim's bank borrowings, provided creditor banks agree to renounce all guarantees and interest payments on exist-

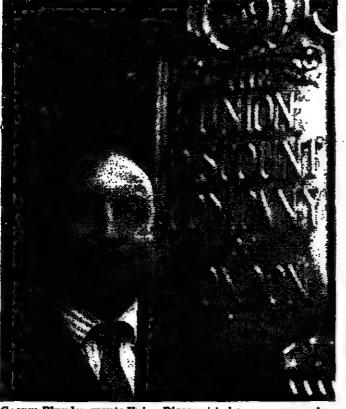
ing loans. The rate of interest paid to creditors will be equivalent to that on the government securities being issued. However, bankers have still to be told what that rate will be. The decision to set a uniform interest rate also raises an issue of fairness among Efim's bank creditors as banks have lent to Efim

at varying interest rates.

The prospect of interest being paid was confirmed by Mr Anrea Monorchio, the head of Italy's state auditing office. Speaking to a senate committee in Rome, he said he believed the payments onld be made to prevent Italy

losing credibility as a borrower. The country has recently faced a loss of confidence among bankers and investors, especially abroad. Both the lira and the government bond market remain under pressure, while Moody's, the US debt rating agency, is looking into further downgrading Italy, the only G7 country without an AAA borrowing sta-tus, from its current AA1 stand-

## Compaq has slashed prices since then and last month intro-Exchange, to stand at \$26%, up \$2% at lunchtime. in its Scottish plant and was For the six months the com-The company said unit shipduced a new line of desktop and "moving aggressively to secure The figures - at the top end of notebook PCs with US prices



George Rlunden wants Union Discount to be more aggressive

# James Blitz and Richard Waters report on London's short-term money markets Union Discount suffers £14.8m half-year loss

leading companies in London's short-term money markets, claimed yesterday to have put the worst of its troubles behind it (\$28.2m) for the first six months

of this year.
The results reflect Union's struggle in recent months to shake off the effects of a disastrous diversification into leasing during the 1980s, as well as an attempt to bring its core discount house operation back into

Union has been one of the biggest casualties of the move by specialist financial houses to develop into other markets as a result of financial deregulation in London. The move was tacitly encouraged by the Bank of England, which balved discount houses' capital adequacy requirements in the mid-1980s to allow them to devote more resources to

interim dividend, and could not yet promise a final one.

"We will only pay a dividend if it is prudent. I can't make any commitment at this stage," said Mr George Blunden, chief execu-

Pre-tax losses of 214.8m in the six months to June 30 accounted for a shrinkage in the company's capital base to fAlm at the end of the period, down from £72.8m a year ago. A year earlier it lost \$8.4m and paid an 11.5p dividend. Losses per share were 82.1p against 333,35p.

The group's discount house operations accounted for £4.2m of the loss - \$2.8m due to a deterio-

ration in existing problem loans. The company hinted that it was close to selling a property in Edinburgh, which it took on after a disastrous £20m loan to a property company went sour. In an attempt to make the discount operations profitable. Mr

# Altered environment forces change in attitude Discount houses feel the squeeze

r George Blunden is an unabashed fan of Lon-don's discount market. This is my third discount house" he says, "and I know they can make money." Long-suffering shareholders in Union Discount

The son of a former deputy governor of the Bank of England Mr Blunden has arrived as chief executive of Union Discount at a critical moment in the company's history - and that of London's discount market.

Union faces a tough fight to rebuild its profits in the area it knows · best - London's short-term money markets - after being dragged down by a disastrous move into equipment leasing in the 1980s. However, many people in the markets think discount houses are in danger of going out of fashion.

These are not easy times for the City of London's nine discount houses. They have traditionally played a crucial role in the Bank of England's sterling operations, acting as the valve through which liquidity passes from Threadneedle Street to the commercial banks. But their operating environment has

One of the biggest problems has been the small movements in interest rates since Britain joined Europe's Exchange Rate Mechanism. In the past, discount houses have tended to make money on interest rate movements. When base rates move downwards, the discount houses make profits because the capital value of the bills that they hold increases. In the past year, how-ever, the Bank has signalled rate

ents infrequently.

"Mr Blunden believes that, to make money. Union and other discount houses will need to change their attitude to the

money markets. Discount houses buy short-

borrow from the Bank of England. Traditionally, they have held on to these securities for too long in the hope that longerdated interest rates will be cut, and a profit realised, says Mr Blunden. He wants Union Discount to deal more aggressively.
"You have to adapt your style

Union Discount

and your knowledge of how short-term interest rates are moving and change the time scale in which you operate," he says. hat means becoming an

active trader across all money market instruments, for instance by using the options and futures markets to take or lay off risks on interest rate movements. That could make the discount market a Mr Blunden also plans to develop the group's expertise in longer-dated financial instruments, to enable it to arbitrage

small part of Union's activities. between short and longer-term interest rates. The company is no longer dealing in trade bills, which provide short-term finance for corporations, but are highly risky because of the chance that the corporation will default. Some fear that the discount house business has no long-term future. The move to European Monetary Union (Emu) will make London's discount house operation obsolete, because the Bank of England's operations are unlike those in other European centres. There are suggestions that the Bank will be forced to operate like the Bundesbank if Emu takes place, dealing directly with the commercial banks rather than through intermedi-

However, Mr Blunden says: derived over the centuries will not disappear overnight. If the Bank of England opens up its operations to a wider audience, we should find ourselves dealing

with an even larger client base."

The disasters of the past year have wiped £30m (\$57.3m) off Union's capital base, which is now just over £40m. However, the special capital regime for discount houses run by the Bank of England would allow Union to take positions in the markets worth up to £3.2bn. As one competitor said yesterday: "That still gives them plenty of scope to make profits – or to make a com-plete mess of it."

# C and W joins the dawn chorus

By Peggy Hollinger in Londoi

IT WAS hard to say who Lord Young was talking to - insomniacs or investors. The chairman of Cable and Wireless might have thought the former were more likely to watch his dawn performance of Britain's first televised annual meeting yesterday.

Cable & Wireless - The AGM was broadcast at "the unearthly hour of 5.30am", according to Lord Young. "Rather more shareholders, who are normally awake at a more civilised hour will, I trust, set their video recorders, be said.

The taped performance was aimed at the company's vast who are often unable to attend either the AGM or the regional meetings around the country.



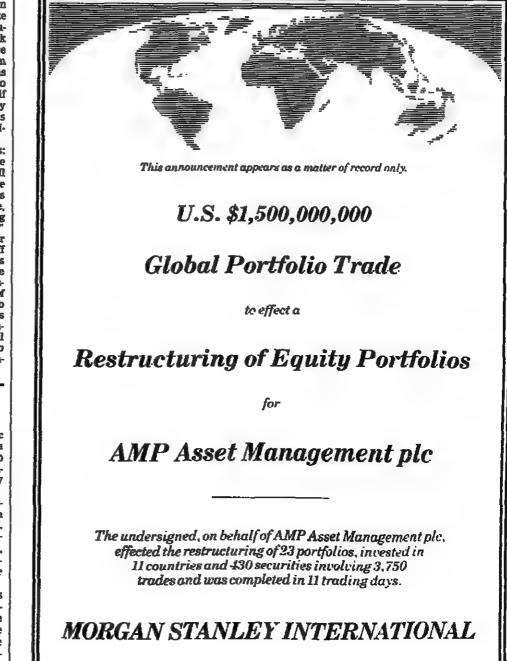
Screen break: Lord Young

Some 56 per cent of C and W's 150,000 UK-based investors own 500 shares or less and are scattered from John O'Groats to Land's End. Yet such worthy

attractions as well. The bill for a 30-minute broadcast comes to bout £40,000 (\$76,000), considerably less than the cost of a 10-day jaunt around the country.

A C and W spokesman admitted that cost was one of the main reasons for televising the AGM, and ending the regional meetings. The idea is catching on. with Nuclear Electric and Scottish Power set to debut in the next two weeks.

The big question remains whether shareholders will be dedicated enough to get up at the crack of dawn. Research will be carried out by C and W and the channel which carried the programme, BMH, to determine the company's ratings. If C and W has a blockbuster, viewers can look forward to AGM IL



July 33, 1992

# INTERNATIONAL COMPANIES AND FINANCE Cemex embarks on a \$1.85bn gamble

# **British Gas to** separate two top executive roles

By Neil Buckley in London

MR ROBERT Evans, chairman and chief executive of British Gas, said yesterday he was separating the two roles and ceding the post of chief executive to Mr Cedric Brown. senior managing director. The announcement ends

months of speculation that such a move was imminent. Mr Charles Donovan, cosenior managing director and a competitor for the chief executive role, announced his resignation after recognising the "direct impact" Mr Brown's appointment would have on

his duties. Mr Brown, 57, who joined British Gas in 1966, said he was "delighted at the opportunity" to take on the job at a crucial time for the company. He will be responsible for the day-to-day running of the busi-ness and will also examine changes necessary to ensure the business reached its financial targets.

Mr Evans will retain overall control of strategy. "But he will be a full-time executive he intended to relinquish the chairman and I will be a chief executive's role.

full-time chief executive so we will be working very closely together," Mr Brown said.

Analysts said that as Mr Evans remained in charge of strategy and Mr Brown had spent his entire career with British Gas, significant changes were unlikely.

The first test for the new chief executive will be reaching an agreement with Ofgas on tariffs and terms for the company's transportation and storage business, due to be hived off into an arms-length subsidiary by October.

Mr Brown said he was anxious that agreement should be reached quickly, although Ofgas is thought unlikely to accept BG's submission that It should receive a rate of return of 10.8 per cent on new investment and 6.7 per cent on exist-ing pipeline assets. If no deal could be reached. Mr Brown said he did not rule out a possible referral to the Monopolies

and Mergers Commission. Mr Evans announced when he succeeded Sir Dennis Rooke two and a half years ago that

# Sulzer sees recovery in profits as orders grow

By Ian Rodger in Zurich

SULZER Brothers, the Swiss engineering group, reported a 2 per cent improvement in orders to SFr3.3bn (\$2.5bn) for the first half and forecast a recovery of profits for the full year to the level achieved in

Order intake at Sulzer Rüti. the textile machinery subsidiary whose severe losses dragged down group profits last year, has grown 25 per cent mainly due to demand from the Middle East and

Sulzer Infra, the piant and building services subsidiary. reported a 9 per cent rise in orders, two thirds of which were due to acquisitions. Demand for Sulzermedica orthopaedic and cardiovascular

implants grew by 16 per cent. The Escher Wyss business had a 6 per cent rise in orders as bookings for hydroelectric plant, pumps and thermal turbo-machinery more than offset declining demand for papermaking machinery.

The 28 per cent decline in orders at the Wintherthur group came after record orders last year for locomotives.

Sulzer said it expected the overall positive order trend to continue in the second half. It was confident the reduction of losses at Rüti and the progress at other divisions would enable the group to regain the profit level achieved in 1990.

Last year's net consolidated income fell 23 per cent to SFr119m from SFr155m in 1990.

# Hoesch advances 40% in first half

By Christopher Parkes

HOESCH, the German steel and engineering company soon to be absorbed by the Krupp group, yesterday reported a 40 per cent increase in profits for the first half of 1992.

The company, which gave no further details, also confirmed that Mr Kajo Neukirchen, chairman, is to resign at the end of this month.

The improvement suggests the steel market is enjoying at least a partial recovery from the price slump which was the main cause of a 66 per cent drop in profits in the first six months of 1991.

The announcement indicates earnings of around DM196m (\$132.4m) for the first six months of 1992, against DM140m in the comparable part of 1991 and DM412m in

Further information is expected at an extraordinary shareholders' meeting on July 27, when final formalities of the takeover by Krupp will be

The assembly follows the regular annual meeting last month which overturned a voting rights limit, introduced into the group's constitution supposedly to protect Hoesch from predators, but which proved ineffective against

Krupp's determined assault. Mr Neukirchen, who took charge at Hoesch in August 1991, first threatened to resign last October when Krupp announced it had bought 24.9 per cent of Hoesch's stock.

Mr Neukirchen, who had been negotiating over possible "collaboration" with Krupp, unaware of the buying operation, said he would quit if Hoesch lost its independence. Krupp has since enlarged its stake to 62 per cent. The merger of the two busi-

nesses, which is to be backdated to January 1, will be effectively complete after next week's meeting. The new group, to be called Fried. Krupp AG Hoesch Krupp, will have annual sales of around DM30bn and employ almost

Liabilities and

Damian Fraser on the Mexican group's acquisition of Spain's top cement companies ementos Mexicanos estimated that Mr Lorenzo (Cemex), North Amer-ica's largest cement

company, has taken a considerable gamble in bidding \$1.85bn for Spain's two largest cement companies, Valenciana and Sanson. The acquisitions, announced

within a fortnight of each other, are easily the largest undertaken in Mexico, and they give a company with little experience of managing overseas operations 28 per cent of the Spanish cement market, more than double that of its nearest competitor.

The purchases will not just stretch Cemex's managerial abilities, they will increase long-term debt by \$760m - and that is assuming re-financing and fire sales of assets and shares go according to plan. Cemex's immediate borrowings will rise by \$1.35bn.

In short, the turning points are awesome. For almost a hundred years the company's fortunes have been rooted in Mexico. Cemex first produced cement in 1906, and in 1931 merged with its rival. nentos Portland Monterrey, to become Mexico's principal cement maker. With the Spanish

acquisitions, sales last year would have been \$2.8bn, turning Cemex into Mexico's second largest industrial company following Vitro, the glass maker. About 40 per cent of Cemex's

shares are controlled by the Zambrano family. Forbes magazine recently clearly needed to do

Zambrano and his uncle and president of the board. Mr Marcelo Zambrano were worth

Cemex A

Share price (USS)

1990

ahrnad.

91

something. It controls 65 per cent of the Mexican cement

market and expects to generate

\$1.5bn in spare cash over the

next five years. The choice was

stark - expand in high-growth

Mexico but away from cement,

or buy more cement companies

in slower growing markets

Mr Lorenzo Zambrano, chief

executive and controlling

shareholder, said: "The global

cement business is becoming

increasingly concentrated and

we need to stay with the leaders." The Spanish

acquisitions will raise Cemex's

annual cement capacity from

However, the company is

Its main Mexican competitor,

facing increasing pressure at

21.6m tonnes to 32m tonnes.

Mr Lorenzo and Mr Marcelo Zambrano evidently feel that sticking to Mexico makes them vulnerable to foreign competition. Investors may have other ideas, however. US and Mexican investors have acquired Cemex stock in

construction market. Spain's construction market, unlike Mexico's, is slowing, and its cement industry is suffering.

the belief they are buying into

Mexico's fast-growing

In future some 40 per cent of Cemex's earnings will come from Spain. In the two days following the announcement of the Valenciana deal, Cemex's B shares, which are open to foreign investment, fell 17 per cent. This week the shares have been especially volatile as investors have reacted to the second Spanish acquisition and a 15 per cent increase in net profits for the first six months

"Most investors who bought Cemex bought it on a high growth story. To the extent that Cemex diversifies into countries with less attractive growth prospects, earnings slow down," said Mr Jorge Mariscal, manager of Latin American equity research at Goldman Sachs.

However, with high cash flows and a mature share of home market, Cemex

have recently started clinical

trials - and are giving results

promising enough for the com-

panies to continue develop-

ment - are Glaxo's 3TC.

American Cyanamid's FLT and

But the conference heard

that several other development

drugs, notably Merck's L661,

have been dropped because

HIV, the virus that causes

Upjohn's U-87,201E.

Apasco, part of Holderbank, the world's largest cement producer, is planning a \$260m expansion in Mexico, to raise output from 5.4m tonnes to 7.15m tonnes by 1994.

To Cemex's obvious concern, Apasco last year opened a plant in Saltillo, Coahuila, in the heart of what had previously been Cemex

territory. Apasco will open another plant in Colima, on the Pacific coast in 1994, where it will be able to take on Tolmer. Cemex's subsidiary. Cemex saw the threat from

Holderbank in 1988, and decided then to concentrate on core cement business, and sell most non-cement operations. In 1989 Cemex bought Empresa Tolteca (Tolmex), then the number two Mexican cement producer, for \$663m, bringing its market share in Mexico up to 64 per cent. Cemex at the same time bought cement operations in the south and west US.

"In purchasing Tolteca our main interest was not to put it in the hands of the Europeans," said Mr Gustavo Caballero, group finance director. The decision to buy Valenciana and Sanson is part of the same defensive strategy. "The [purchases] strengthen

the strategic position of Cemexin the Mexican market" said Mr Zambrano. Mr Zambrano is quick to emphasise other benefits of the

Spanish acquisitions. Spain's cement market is large and likely to grow faster than the rest of Europe's, prices are high, and with 25 per cent of the market, Cemex will becomes the dominant cement

producer. The company will cut administrative costs by merging Sanson and

Nevertheless most foreign investors would doubtless have preferred Cemex to have stuck to Mexico, given the present weakness of Spanish demand. In contrast, Mexican construction is booming and many analysts expect cement demand to grow by 6 to 10 per cent a year over the next

ה אוֹפּאוֹניan government אַ fe Mexican has recently released price controls on cement which has substantially increased profit margins.

In some ways Cemex's bid for Valenciana and Sanson mirrors a strategy pursued by Vitro, Mexico's monopoly flat glass producer. Vitro moved into the US market in 1989 with the purchase of Anchor Glass. The deal put more than half of sales outside Mexico. In common with Cemex, Vitro said it needed to become a global glass producer to

survive. Yet with sales suffering from the US recession Vitro's share price has badly lagged the Mexican stock market.

The worry for Cemex must be that Spain's economy may not grow as fast as Mexico's over the next decade.

# Bristol-Myers plans larger-scale trials of new Aids drug

By Clive Cookson

THE international Aids conference brought encouraging news for some pharmaceutical companies yesterday. Bristol-Myers Squibb of the

US was happy with the early clinical tests of its candidate Aids drug d4T and said it planned larger-scale trials. And its existing drug DDL which had not performed as well on its own as Wellcome's

AZT, proved more successful

Other new Aids drugs which

in combination with AZT.

June 30.

Aids, becomes resistant to them rapidly. Most drugs are continuing clinical development work in the same way as AZT. They mimic thymidine, one of the

rates a drug molecule into its growing genetic chain, it jams the mechanism by which the virus replicates. In common with AZT, the new drugs cannot eliminate HIV but they do slow the collapse of the immune system which causes Aids. And, like AZT, some have shown side-effects, though the companies hope these will not matter in prac-

tice once they have established the right dosage. At present d4T is ahead of the others in its development

building blocks of genetic programme, with 3TC not far material; when HIV incorpo- behind. Although the clinical data are too limited to make a fair comparison, it seems from vesterday's evidence that 3TC may have fewer side-effects, but deT may be a more potent anti-viral drug. FLT is 10 times more potent

than AZT, according to labora-tory tests but it has shown anaemia as an unexpected sideeffect, forcing American Cyanamid to repeat the first phase of clinical trials with lower doses. And U-37,201E has caused some liver poisoning as a side-effect.

# H-P to buy out partner

HEWLETT-Packard said it will buy out its Hungarian partner Controll Rt from a joint venture, Reuter reports from

The US computer firm gave no financial details of the deal. It said it had a minority stake in the joint venture since May 1991. The firm will now be wholly owned by HP and known as Hewlett-Packard Magyarorszag Kft. The firm's general manager will stay on. The venture had expanded more quickly than expected. Hewlett-Packard said.

# REPUBLIC NATIONAL BANK OF NEW YORK

A SUBSIDIARY OF REPUBLIC NEW YORK CORPORATION Consolidated Statements of Condition

Assets	1992	1991	Stockholder's Equity	1992	1991
		(Dollars in 1		<del></del>	
Cash and due from banks	\$ 387,360	S 278,904	Non-interest bearing deposits: in domestic offices	. \$ 750,493	\$ 844,0
with banks ceposite	9,869,061	1,094,900	in foreign offices	82,440	128,9
Precious metals	382,444	469,160	Interest bearing deposits: In domestic offices	4,457,099	4,280.5
Investment securities	8,651,921	5,460,500	in foreign offices	12,106,292	12,253,6
Trading account assets	648,816	143,369	Total deposits	17,396,324	17,287,2
Federal funds sold and securities purchased under resale agreements	244,109	368,173	Acceptances outstanding	1,103,750 278,653	1,058,3 1,622,1 176,2
Loans, net of unearned	4.314.800	4.730.254	Cong-term debt	959,657 1,827,944	737,2 884,3
Allowance for possible joan	-10141000	411 00/204	Stockholder's Equity:		
losses	<u>(176,375</u> )	<u>(174,707</u> )	Cumulative preferred stock, \$100 par value: 1,000,000		
Loans (net) ,	4,138,425	4,555,547	shares outstanding in 1991	-	100,0
Customers' liability on acceptances	1,096,283	1,617,680	Common stock, \$100 par value; 4,800,000 shares authorized;		
Premises and equipment	315,369	305,587	3,550,000 shares outstanding		355,0 860,2
Accrued interest receivable	262,701	282,673	Retained samings	389,910	342,6
Investment in affiliate	541,728	498,765	Total stockholder's equity	1,885,564	1,657,86
Other assets	386,996	588,029	Total flabilities and		
Total assets	\$26.825,233	\$23,423,487	stockholder's equity		\$ 1,280,2
The narrow of the investment is n	meious matais on	hadred by forester	sales was \$17.1 million and \$6.2 million in		
REPUBLIC NEW YORK C			Six Months Ended		Aonthe Ender
Summary of Results			June 30,		une 30,
(in thousands except per share date	Ŋ		1992 1991	1992	
Net income Cash dividends declared on comme Per common share	on stack		\$ 124,303 \$ 111,071 \$ 26,083 \$ 24,168	\$ 63,89 \$ 13,00	99 \$ 56,40 79 \$ 12,10
Net income: Primary			\$ 2.12 \$ 1.96 \$ 2.08 \$ 1.95	\$ 1.0	. 2 80
			\$ 2.08 \$ 1.95 \$ .50 \$ .46%		06 \$ .5 25 \$ .3
Fully diluted Cash dividends declared					
Fully diluted Cash dividends declared Average common shares outstanding	ng:		60 000 He 257	Pite a s	
Fully diluted Cash dividends declared	og:		52,069 51,657 55,876 52,637	52,11 85,92	18 51,72 24 53.68

BEVERLY HILLS + CAYMAN ISLANDS + LOS ANGELES + MEDICO CITY + MIAMI + MONTRIEAL + NEW YORK
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GUERNSEY + LONDON + LUGANO - LUXEMBOURG + MILAN + MONTE CARLO + PARIS + ZURCH + BELING + HONG KONG + JAKARTA + SINGAPORE + TAIPE + TOKYO

1/2 has period of the period o

- 🗫 Nationwide \$100,000,000 Floating rate notes due 1998 (Jested by Anglia, Building Society) Notice is hereby given that the notes will bear interest at 10.50% per annum from 21 July, 1992 to 31 October, 1992. Interest payable on 21 October, 1992 will amount to \$131.97 per \$5,000 note and \$6,598.36 per £250,000 note.

Nationwide Building Society Agent: Morgan Guaranty Trust Company **JPMorgan** 

Up to \$130,000,000 Hafnia Holdings (UK) Limited Floating Rate Notes due 2000 265,000,000 of which are being issued as the Imital Tranche For the period from July 21, 1992 to October 21, 1992 the Notes will carry an interest rate of 10,825% per annum with an interest amount of 27,230,38 per 11,000,000 Note.

April Bank: Banque Paribas Luxembourg Société Anonyme

FLORA 2 LIMITED U.S.358,000,000 Floating Rate Notes Due 1993 - 3.82813 rest period:fruo: + 22,7,1992 10 22.1.1993 est Amount per US\$100,000 nal due 22.1.1993- US\$1,956.60 CO CO THE LONG-TERM CREDIT BANK OF JAPAN, LTD. (Agent Bank)

CREDIT LYONNAIS CANADA

USD 18.000.000,-SUBORDINATED FLOATING

RATE GUARANTEED DEBENTURES DUE 2001

Defautamentaless are loomly informed that the rate applicable for the fourth interest period has been fixed at 2.85512%.

ECU 25,000,000 KANSALLIS

Interest Amount due on January 25, 1993 per ECU 1,000,000 ECU 57,802,08

Agent Bank

The companion of will be paralle of the price of US\$ 1960 on January 22nd 1903 representing 184 days of interest, covering the period as Interest, crawring the pernet .... from July 22nd, 1992 to January 21st that inclusion The Reference Agent and

CREDIT LYONNAIS



Paulig Trading S.A. DM 32,000,000 Term Loan

Guaranteed by

Paulig Ltd Arranged by

UNION BANK OF FINLAND LONDON BRANCH Provided by

Unibank A/S on Bank of Finland Ltd., London Branch WestLB Group Conrad Hinrich Donner Bank, Hamburg Vereins-und Westbank AG, Hamburg



UNION BANK OF FINLAND

THE VENEZUELA HIGH INCOME FUND N.V. DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on May 20, 1992, notice is hereby given that the Fund has paid a distribution of USSO 32 per share on July 15. 1992 to common shareholders of secord at the close of business on

pne 30, 199<u>2.</u> By Order of the Managing Directo Managing Director and Location of Principal Office Curação Corporation Company

De Ruyterkade 62, P.O. Box 812 Willemstad, Curação Netherlands Antilles

Administrator, Registrar, Transfer and Paying Agent Citiums (Bahamas) Limited Thompson Boulevard P.O. Box N1576 Oakes Field Nassau, Bahamas

Investment Manager Scudder, Stevens & Clark, Inc.

u source:\* Europeum Busin Reuderslup Survey 1991 FT SURVEYS

VENTURE

CAPITAL

The FT proposes to publish this survey on

September 25 1992.

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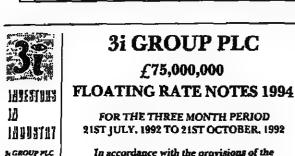
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Inc. in England

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# 3i GROUP PLC £75,000,000

FOR THE THREE MONTH PERIOD 21ST JULY, 1992 TO 21ST OCTOBER, 1992

In accordance with the provisions of the Notes, notice is bereby given that the rate of interest has been fixed at 101/2 per cent per annum and that the interest payable on the relevant interest payment date, 21st October, 1992 against Coupon No. 32 will be £1,319.67 from Notes of £50,000 nominal

and £131.97 from Notes of £5,000 nominal.

S.G. WARBURG & CO. LTD. (Agent Bank)



The Korea Development Bank (Established in the Republic of Korea under the Korea Development Bank Act 1953 as amended)

U.S. \$200,000,000 Floating Rate Notes due 1997

For the six month period 22nd July, 1992 to 22nd January, 1993 the Notes will carry an interest rate of 3%% per annum with a coupon amount of U.S. \$1,884.72 per U.S. \$100,000 Note, payable on 2nd January, 1993.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, Hong Kong

Agent Bank

INTERNATIONAL BANK

Subordinated Floating Rate Notes due 1993 interest Rate 11,1875% p. a. July 23,1992 January 25, 1993 Interest Period

. 8 BANQUE GENERALE BY LEXENBOURG Principal Paying Agent

# Public Invitation to Bid on Industrial Enterprises

Closing date for bids: September 1

# Treuhandanstalt Dresden Branch

## Chemistry

(DD-1) Isotlererzeugnisse GmbH, O-8512 Großröhrsdorf. Products/ Services: bituminized woven materials/anti-corrosion protective sleeves for steel pipe and tank sheathing, patent glazing, jointing strips. Trade: synthetic base anti-corrosion systems (self-adhesive), insulating materials. Turnover 1991: DM 2.4 million. Key Markets: pipe laying operations (for energy supply, water engineering, housing, wholesale activities). Trade: insulating materials/renovation systems, construction operations; individual customers, East Germany. Distribution: direct sales. Employees: 26 (as of June 30, 1992). Machinery: heating and storage systems for bitumen, pumps, pipelines: gas-heated circulation oil (150 t capacity, temp: 180°C), stirring machine 3 x 4 t, coating facilities. Real Estate: 13,000 m3 built-up.

(DD-2) Keramische Febrik "Bidtella" Meißen GmbH I.A., 0-8250 Meißen. Products/Services: ceramic glazes and dyes, ceramic filters, nickel oxide. Turnover 1991: DM 2,2 million. Key Markets: enamel and glass industry, household ceramics, senitary ceramics, chemical industry, sewage treatment plants; 90 % in Germany, 10 % in other European countries. Distribution: company-operated. Employees: 26 (as of June 30, 1992). Machinery: rotary cylindrical kiln, drum-type kiln, wet-tumbling mill, squarerod grinding machine. Real Estate: 2 locations, 40,379 m³, production and administration buildings; open areas (areas not assential to operations will be sold separately through TLG).

(DD-3) Löbauer Technik GmbH, O-8701 Bischdorf, Products/Services: synthetic windows, roller shutters and doors licensed by Knipping, structural steel engineering, Turnover 1891; DM 1 million. Key Markets: 70 % plastic products, 30 % structural steel. Distribution: direct sales. Employees: 28 (as of June 30, 1992). Machinery: 16 t press, 40 t press, 100 t press, lathes, milling and radial-drilling machines. Real Estate: 20,994 m² total area.

## Metalworking, Mechanical Engineering

(DD-4) Dampfkesseibau Dreaden-Übigau GmbH, O-8030 Dresden. Products/Services: containers, bolier construction (liquid-gas tanks, silos, marine boilers), steel structures (water purification plants). Turmover 1991: DM 32.8 million. Key Markets: bulk good suppliers, gas suppliers (east/west Germany). Distribution: direct sales. Employees: 205 (as of June 30, 1992). Machinery: full range of sheat metal and steel processing machines, metal-cutting machine tools, spray-coating and sandblasting facilities, welding equipment. Real Estate: 27,067 m² built-up, 55,946 m²

(DD-5) Förderenlagen Bautzen GmbH, 8600-Bautzen. Products/ Services: materials handling equipment: project planning, supply and assembly of circular conveyors, roller and chain conveyors, lifting equipment; components for bulk transport systems, skylights. Turnover 1991: DM 9.1 million. Key Merkets: 80 % east Germany, 40 % west Germany; machine and automotive construction, electrical engineering, Distribution: direct sales. Employees: 101 (as of June 30, 1992). Machinery: saws, shearing machines, lathes, milling reachines, presses, welding equipment, bending and

(DD-6) Geologische Sohrwerkzeuge GmbH, 0-8312 Heidensu. Products/Services: tools for geology/building ground, mechanical processing/induction hardening, trading/service TERRA holing-through equipment, holing-through/pipe-ramming. Turnover 1991: DM 1.2 million. Key Markets: 90 % sest Germany, 10 % west Germany; 80 % tools for geology/building ground, 10 % mechanical processing/induction hardening, 10 % holing-through/trading/service. Distribution: direct sales. Employees: 24 (as of June 30, 1992). Machinery: conventional and CNC machine tool: Induction herdening facilities, earth rocket/pipe-ramming equipment. Real Estate: 4067 m<sup>2</sup> built-up, 266 m<sup>2</sup> non-operating.

(DD-7) Gießerei + Armeturen Zittau GmbH. 0-8800 Zittau. Products/Services; manufacture of aluminum castings, ingot mould and sand castings (520 t capacity) 35 %, industrial fittings 65 %. Turnover 1991: DM 2.7 million. Key Markets: aluminum ceating, fittings industry, vehicle construction, gear production, agricultural machinery, fittings: diesel engines. ship building, chemical plant engineering. Distribution: 20 % traders (technical traders), 40 % sales through other companies, 40 % directly to consumers. Employees: 44 (as of June 30, 1992). Machinery: moulding machines, smalting furnace, sand processing, cleaning equipment, cutting machines. Real Estate: 5180 m² built-up, 4180 m² non-operating.

(DD-8) Großenhainer Gesenk- und Freiformschmiede GmbH, 0-8280 Großenhaln. Products/Services: die and smith hammer forgings, maximum capacity: 9,000 to 10,000 tons. Turnover 1991: DM 11.8 million. Key Markets: sales in all German States and export to Switzerland; industries: agricultural equipment and vehicle construction, construction machines, railway engineering. Distribution: direct sales, trading network currently being developed. Employees: 138 (as of June 30, 1992). Machinery: forging presses, forging hammers, normalising facilities. Real Estate: 125,000 m total area (areas not essential to operations will be sold separately through

(DD-9) Industriesiebe und Drahtförderbänder Drasden GmbH. O-8027 Dresden. Products/Services: 50 % screens, 50 % wire conveyors. Turnover 1991: DM 4.4 million. Key Markets: 100 % east Germany; construction companies, approx. 100 customers in conveyor technology (wood, paper, glass). Distribution: direct sales, Employees: 63 (as of June 30, 1992). Machinery: wire weaving and coiling machines, assembly

(DD-10) Meißner Sondermaschinen und Werkzeugbau GmbH, O-8250 Meißen. Products/Services: special machines for sheet metal processing (including NC), conventional sheet metal processing machines; structural steel engineering. Turnover 1991; DM 15.2 million. Key Markets: 30 % individual processing machines for sheet metal, 15 % metal-working, 25 % structural steel engineering, 30 % other. Distribution: representatives, distribution office for North Rhine Westphalia, establishment of contact offices in west Germany, export to C.I.S. through Hermes insurance. Employees: 189 (as of June 30, 1992). Machinery: universal machine tools, computer-controlled rack warehouse. Real Estate: 13,000 m² built-up, 8,000 m<sup>2</sup> non-operating.

(DD-11) Schmiedeberger Gießerei GmbH, 0-8239 Schmiedeberg. Products/Services: production of malleable cast iron (7000 t capacity). production of gray cast iron (3500 t capacity). Turnover 1991: DM 8.8 million. Key Markets: 1991-2800 t gray cast Iron, 2400 t malleable cast iron; 50 % west Germany, 50 % east Germany. Distribution: direct sales (custom cesting). Employees: 160 (as of June 30, 1992). Machinery: complete foundry facilities. Real Estate: 37,160 m² built-up, 23,091 m² non-

(DD-12) VETECH Küchentechnik GmbH, O-8291 Piskowitz-Products/Services: commercial kitchen equipment, field kitchens, high-pressure cleening systems, metal cabinets, shop carts, hand trucks. Turnover 1991: DM 2.5 million. Key Markets: 70 % east Germany, 30 % west Germany. Distribution: 70 % through trading agents, 30 % own distribution network. Employees: 75 (as of June 30, 1992). Machinery: welding equipment, stamping and drawing facilities, sand blasting, varnishing shop, staining plant, assembly. Real Estate: 48,800 m² built-up, 12,200 m² non-

# Electrical Engineering

(DD-13) Fahrzeugelektrik Pirna GmbH, 0-8300 Pirna. Products/ Services: mechanical, electromagnetic, hydraulic switches; plug-in connectors, fuse boxes; 85 % cable sets, 9 % tool manufacturing, 5 % jobbing (lathe work, assembly, plastic injection-moulding and stamping), 1 % mobile-phone brackets. Turnover 1991: DM 10 million. Key Markets: 54 % east Germany, 23 % west Germany, 14 % western Europe, 9 % eastern Europe / vehicles equipment: approx. 800 customers, 2 of which are large customers: 33 %. Distribution: direct sales from factory, retail chains. Employees: 130 (as of June 30, 1992). Machinery: stamping plant. automatic lathes, mechanical processing, tool manufacturing, plastic moulding

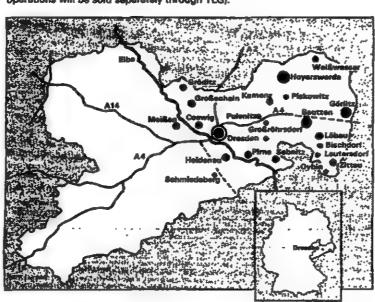
## Wood, Paper, Printing Industries

(DD-14) Kamenzer Poistermöbel GmbH, 0-8290 Kamenz. Products/Services; upholstered furniture (in-house frame construction). assortment of functional furniture including double-bed sofas, corner sofas with pull-out beds, upholstered corner airmchairs with table and pull-outbeds, reclining chairs, armchairs and stools. Turnover 1991: DM 3.1 million. Key Markets: east Germany. Distribution: sales through retailers/ purchasing association. Employees: 39 (as of June 30, 1992). Machinery: hand and electrical tools. Real Estate: 3968 m² built-up, 7848 m² non-operating.

(DD-15) Möbelwerke Heidenau GmbH, Q-8312 Heidenau. Products/ Services: bedroom, office, and childrens furniture; interior refurbishment for hotels/pensions. Turnover 1991: DM 9.7 million. Key Markets: Europe, various Arabian countries. Distribution: own distribution system. Employees: 118 (as of June 30, 1992). Machinery: 40 % less than 7 years old. Resi Estate: 19,793 m2 built-up, 5200 m2 non-operating.

(DD-16) Polstermöbel GmbH Sebnitz, 0-8360 Sebnitz. Products/Services: upholstered furniture, Turnover 1991; DM 1,2 million. Key Markets: 100 % east Germany. Distribution: own distribution system. Employees: 30 (as of June 30, 1992). Machinery: 50 % less than 5 years old. Real Estate: 1360 m² built-up, 1185 m² non-operating.

(DD-17) Poistermöbel & Matratzen GmbH, 0-8402 Gröditz. Products/Services: mattresses, mettress covers, upholstered furniture and sofe beds. Turnover 1991: DM 5.9 million. Key Markets: primarily sold through retailers in east Germany. Distribution: field service. Employees: 103 (as of June 30, 1992). Machinery: sewing and quilting machines. Real Estate: 14,392 m² built-up, 22,460 m² non-operating; (areas not essential to operations will be sold separately through TLG).



The Dresden area is one of the most dynamic and promising regions in the new Länder. The diversely structured, highly industrialized economical territor aurrounding the capital of Saxony is centrally located between the conurbation of Leipzig/Halle, Berlin, Silesia and Bohemia.

# Textiles, Leather

(DD-18) Oberlausitzer Volltuchfabrik GmbH, 0-8900 Görlitz. Products/Services: worsted yarn fabrics for outer ladies' and men's wear; fabrics for uniforms, Turnover 1991; DM 4 million. Key Markets: 90 % Germany, 10 % France. Distribution: through agents and own distribution system. Employees: 115 (as of June 30, 1992). Machinery: complete facilities for fabric worsted yarn fabrics; weaving equipment built in 1987. Real Estate: after concentration to location, 4573 m2 built-up, 18,071 m2

(DD-19) Schuhfabrik Duett Großharthau GmbH, 0-8504 Großharthau. Products/Services: slippers, leasure time footwear, bathing shoes, and indoor gymnastics shoes. Turnover 1991: DM 4.1 million. Key Markets; sales primarily in east Germany; distributors, department stores. Distribution: own distribution network. Employees: 92 (as of June 30, 1992). Machinery: PVC injection moulding machines, punching machines, sewing machines. Real Estate: 13,000 m<sup>2</sup> built-up, 15,000 m<sup>2</sup> non-operating.

(DD-20) tegewa GmbH, O-8514 Pulsnitz. Products/Services: Industrial fabrics, tent/swning materials, fabrics for working dresses, large-format umbrellas, manufacture of ready-to-wear work clothes. Turnover 1991: DM 4.5 million. Key Markets: 60 % Germany/industrial fabrics, 20 % work clothing, 20 % large-format umbrellas. Distribution: own distribution system, incl. partners in west Germany. Employees: 92 (as of June 30, 1992). Machinery: 44 weaving machines (Fant/France), 68 sewing machines (Adler, Singer, Minerva). Real Estate: after concentration of location, 25,558 m2 built-up, 1770 m<sup>3</sup> non-operating.

# Food, Semi-Luxury Articles and Tohacco

(DD-21) Getreideverarbeitung GmbH Görlitz, 0-8900 Görlitz. Products/Services: grain and oil seed trade: production and sales of mixed fourage, flours. Turnover 1991: DM 22.3 million. Key Markets: cereals: mills, oil production, agriculture, bakeries. Distribution: own distribution system. Employees: 52 (as of June 30, 1992). Machinery: drying facilities, cleaning and dust removal equipment. Real Estate: 121,300 m<sup>2</sup> (areas not essential to operations will be sold separately through TLG).

(DD-22) Nordstern Görlitz GmbH Weinkellerei und Vertrieb, O-8900 Görlitz. Products/Services: bottling of wine, 0.75 ), production and bolthing wine cocktails, vermouth, warm/cold bottling of wine and cocktails. Turnover 1991: DM 1.7 million. Key Markets: established customer, retail chains. Distribution: representatives in Saxony. Employees: 32 (as of June 30, 1992). Machinery: winemaking and bottling equipment. Real Estate: 4500 m² built-up, 14,500 m² non-operating.

(DD-23) Des Sächsische Bäckerhaus Meißen GmbH, O-8250 Meißer Products/Services: baked goods 70 %, pastries 30 %. Turnover 1991: DN 4.9 million. Key Markets: 100% east Germany; baked goods in the Meißen area, ice cream in Brandenburg and larger Meißen areas. Distribution: ice cream distribution, company-operated distribution and sales outlets. Employees: 86 (as of June 30, 1992). Machinery: baking ovens, roll making machines. Real Estate: 6427 mafter concentration to one location.

## Construction, Civil Engineering and Building Trades

(DD-24) Hoch- und Tiefbau GmbH Weißwasser, O-7580 Weißwasser. Products/Services: underground and road construction, turnkey construction and refurbishment of apartment and other buildings; floor tiling work and sales; sanitary and heating services. Turnover 1991: DM 8.8 million. Key Markets: communities, Bundeswehr, enterprises, private customers. Employees: 156 (as of June 30, 1992). Machinery: construction equipment, wood and metal working machines, trucks, cars. Real Estate: 4428 m2 builtup, 85,012 m2 non-operating; (areas not essential to operations will be sold separately through TLG).

(DD-25) Meißner Ingenieurbau GmbH, 0-8250 Meißen. Products/ Services: electrical installations, underground construction, civil engineering, on-site production, industrial buildings, concrete and reinforced concrete production, tumkey buildings. Turnover 1991: DM 27 million. Key Markets: west/east Germany, industrial buildings, housing construction, civil engineering, road construction. Employees: 251 (as of June 30, 1992). Machinery: building facilities and machines. Real Estate: 10,000 m² built-up, 23,000 m² non-operating.

(DD-26) Sächsische Fertigteilbau GmbH Coswig, 0-8270 Coswig. Products/Services: civil engineering, refurbishment, turnkey construction. Turnover 1991: DM 34.3 million. Key Markets: house construction, civil engineering, refurbishment, Distribution: direct sales, participation in tenders. Employees: 200 (as of June 30, 1992). Machinery: standard building machinery, outlet for sale of building material. Real Estate: 40,000 m².

(DD-27) Sanitär, Klempner & Elektro GmbH Löbau, 0-8700 Löbau. Products/Services: sanitary, heating and electrical installations, painting, roof plumbing. Turnover 1991: DM 4.4 million. Key Markets: 40 % sanitary, 27 % plumbing, 21 % electrical, 10 % heating, 2 % painting. Distribution: sales of sanitary articles. Employees: 68 and 4 apprentices (as of June 30, 1992). Real Estate: 2353 m. built-up, 7301 m. non-operating.

## Trade

(DD-28) Dresdner Textilhandelsgesellschaft mbH DTHG, 0-8010 Dresden. Products/Services: wholesale and retail for textiles and clothing. Turnover 1991: DM 52.3 million. Key Markets: east Germany, Distribution: retailing and direct sales. Employees: 193 (as of June 30, 1992). Machinery: car/truck motor pool.

# Services

(DD-29) BMB-GmbH Baumechanisierung und Beteiligungsgesellschaft mbH, O-8010 Dresden. Products/Services: engineering office, waste disposal services (30 %), and temporary job center (70 %). Turnover 1991: DM 2.8 million. Key Markets: east Germany. Distribution: direct sales. Employees: 12 (as of June 30, 1992).

(DD-30) DV Bau Service GmbH, O-8010 Dresden. Products/Services: data processing services. Turnover 1991: DM 2.3 million. Distribution: direct acquisitions. Employees: 32 (as of March 30, 1992). Machinery: IBM mainframe computer (IBM 4331), leased. Real Estate: approx. 7000 m² office space, of which approx, 6500 m² are let.

(DD-31) Textil- und Chemischreinigungs-GmbH Schwenenweiß, O-7700 Hoyerswerds. Products/Services: laundry, textile cleaning. Turnover - 1991: DM 4.6 million. Key Markets: 90 % laundering services, 10 % textile cleaning; 75 % of turnover from annual contracts. Distribution: 4 dropoff/pick-up outlets. Employees: 91, 29 of which are short-time workers; (as of June 30, 1992). Machinery: new laundering and ironing line (1991), steam generator (1992). Real Estate: 27,946 m' total area: (areas not essential to operations will be sold separately through TLG).

# Other

(DD-32) Leutersdorfer Baumschulen GmbH, O-8807 Leutersdorf. Products/Services: nursery for deciduous and fruit trees, roses; approx 90 % of demand is home-grown. Turnover 1991: DM 1,9 million. Key Markets: sales primarily in south of east Germany; deciduous trees account for 75 % of sales and are moving toward 80 %. Distribution: direct sales, city landscape offices (40 %), communities (40 %), individual customers (20 %). Employees: 44 (as of June 30, 1992). Machinery: farming tractors, trucks and computers have been replaced.

# Tender conditions

- 1. In accordance with its legal mandate, the Treuhandanstalt Dresden Branch intends to sell the aforementioned companies by means of a tender. All offered companies are in the legal form of a limited liability company (GmbH). They are all located in the region around the city of Dresden. Bids must be placed for the total share capital of the company.
- 2. Anyone is entitled to bid.
- 3. In deciding among the bids, the Treuhandanstalt will take into consideration, among other things, the bid price, the business plan submitted, promises to maintain or create jobs, and pledges to invest, each of which will be considered part of the bid.
- 4. Interested parties can obtain further information without charge from the Tender Office, Treuhand Dresden Branch. The Treuhandanstalt is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written authorization from the Tender Office, Dresden Branch to visit the companies, on the basis of which additional information will then be provided by the company management.
- 5. Bids are to be submitted in a sealed envelope marked only with the name of the company for which the bid is submitted.
- 6. Bids must be received at the Treuhandanstalt Dresden Branch, no later than 2:00 p.m. (local time), on September 1, 1992 (the "closing date"). They will be opened immediately thereafter in the presence of a notary public. Bids must be in Deutsche Mark and shall remain valid for ninety (90) days after the closing date.
- 7. Bids must be submitted together with a bond of five (5) per cent of the bid value in the form of an irrevocable bank guarantee valid for ninety (90) days after the closing date. The bid bond will become due only if the bidder either fails to hold his bid open during the required period or refuses to sign a contract in accordance with his bid.
- 8. The Treuhandanstalt will decide on the bids within ninety (90) days ather the closing date. The Treuhandanstalt is not bound to accept any bid and may accept a bid other then the highest.
- 9. To the extent that a previous owner has submitted a claim seeking restitution (in whole or in part) of a company, a sale will require either the approval of the claimant or a decision in accordance with the applicable law, section 3a VermG and/or section 2 BlnvG.

Office hours of the Tender Office, Treuhandanstalt Dresden Branch are: Monday through Friday from 9:00 a.m. until 4.0 p.m. (local time)



Additional information, company profiles and authorizations for visits are

Treuhandanstalt Niederlessung Oresden, Webergasse 2, O-8010 Dresden Telephone: +0351-502 3200, Telefax: +0351 595 2469

# **Investments boost Bankers Trust**

By Patrick Harverson in New York

BANKERS Trust yesterday reported an 11 per cent improvement in second-quarter profits to \$205m, making it the second-best quarter in the New York banking group's history. Return on equity for the three

months was 26 per cent. Mr Charles Sanford, chairman (pictured right), said every leading business line contributed to the strong quarter, but he gave a special mention to the record-breaking performance of the bank's global capital markets operations, which use financial derivatives to provide clients with risk management services.

Bankers Trust said strong

Anheuser

climbs to

\$317.2m

By Nikki Talt in New York

ANHEUSER-Busch, the biggest

brewer in the US. vesterday

reported second-quarter profits

of \$317.2m, up from \$266.7m in

the same period a year earlier.

Earnings per share increased

Anheuser scored the increase

on sales of \$3.38bn, up from

\$3.26bn in the second quarter

of 1991. This takes sales for the

first half of 1992 to \$6.4bn from

\$6.18bn, and after-tax profits to

The St Louis-based company

said its second-quarter results

reflected higher profits from all

its main business units and

It acknowledged that eco-

nomic recovery was proceeding at "moderate pace," and that

this was demoening volume

growth, but said it was opti-

mistic of "another good year".

**Union Pacific** 

surges 35% in

second quarter

By Nikki Talt in New York

at \$206m after tax.

same period of 1991.

in all its businesse

UNION PACIFIC, the US

transportation company, yes-

terday reported a 85 per cent

rise in second-quarter profits.

The advance lifted net profits

for the first months to \$351m,

compared with \$286m in the

Pacific's second-quarter figures.

improved more modestly -

profits were up 15 per cent at

\$376m - but the company said

The railroad division pushed

up earnings by almost 9 per cent at \$158m and, despite a

two-day shutdown in June, car

The strongest growth, said

Union Pacific shares rose \$%

the company, came from cars, metals and minerals and grain.

loadings rose by 2 per cent.

to \$50% on the news.

Hershey moves

ahead to \$34.5m

HERSHEY Foods, the largest

publicly-traded manufacturer

of chocolate and confectionery

products in the US, saw sec-

ond-quarter profits rise to

\$34.5m after tax, from \$31.9m a

in New York.

year earlier, writes Nikki Tait

This takes after-tax earnings

for the first six months of the

year to \$93.4m, compared with

\$80.5m in the same period of

there had been "strong gains"

\$541.2m, against \$487.6m.

lower financing costs.

from 99 cents to \$1.09 on a

fully-diluted basis.

worldwide demand for the banks' traditional derivatives products - such as interest rate, currency and equity swaps and options - lifted trading revenue, which comprises both client-related and proprietary business, to \$335m. up from \$329m in the same quarter a year ago.

Earnings from fiduciary and fund management rose sharply in the quarter, climbing 28 per cent to \$180m following higher revenues from asset management activities, particularly performance-based foreign exchange funds management for institutional clients and private banking services.

Fees and commissions rose \$12m to \$137m, with corporate finance fees receiving a lift

ARGENTINA has partially

re-nationalised its flag carrier,

Aerolineas Argentinas, 21

months after it sold the com-

pany to a group of local and

Spanish investors led by Iberia.

The collapse of Argentina's

first big privatisation is a blow

to the government's ambitious

programme, under which it

plans to sell nearly all its state

The government was forced

to raise its bolding in

Aerolineas to SS per cent from

s per cent because local minor-

ty investors were unable to

However, Mr Domingo

inject fresh funds into the loss-

Spain's national airline.

companies by December.

making company.

By John Barham

In Buenos Aires



from demand for securities underwriting. Bankers Trust is one of only

Cavallo, economy minister, said Iberia would continue

managing the airline. He said

the state hoped to sell its

Aerolineas shares as soon as is

the 19 per cent held by Spanish

banks, and the 10 per cent

owned by the employees

The government raised its

stake at the expense of the

minority Argentine investors, whose holdings have fallen to 8

per cent. It will not pay for the

Instead, the government can-

celled \$21.7m in debts still

owed to it by the buyers. It is

expected to subscribe over

\$145m worth of new shares

The re-nationalisation of

remains unaltered.

Iberia's 30 per cent holding,

Aerolíneas sell-off collapses

the other - allowed by regulators to underwrite and deal in US securities. Net interest revenue rose 29

\$252m, thanks to a big rise in

interest-earning assets and an improved interest rate spread. Non-interest expenses increased 9 per cent to \$589m. Provision for credit losses in the April-to-June period was \$75m, compared with \$52m a year ago, and Bankers Trust's net charge-offs totalled \$109m, the bulk of which was related to non-refinancing country

On the New York Stock Exchange Bankers Trust's shares rose \$% to \$61 in early

Aerolineas is the latest chantes

in a saga of disputes between

the government and the air

line's new owners, and

between the consortium that

began even before the ink had

The disputes arose from the

inability of the under-

capitalised Argentine investors

to linance the loss-making

company. The government and

the operators also argued over

the terms and price to be paid

for the company.

According to its initial finan-

cial accounts, Aerolineas lost

\$25.8m in its first seven

months under Iberia's manage

ment. The government has

agreed to Iberia's request to

review a mandatory \$684m,

dried on the sale contract.

# Chemical Banking income climbs 30% per cent in the quarter to

By Alan Friedmai in New York

CHEMICAL BANKING, the third biggest US bank formed recently by the merger of Chemical Bank and Manufacturers Hanover Trust, unveiled a 30 per cent rise in secondquarter net profits to \$240m. For the first six months of 1992 the net income was

\$500m, up by 37 per cent year-These are the first quarterly results from Chemical since the merger was formally completed last month, and the comparative 1991 figures cited

represent a pooling of the two precursor banks. Combined total assets are now \$142bn. Earnings per share in the aecond quarter were unchanged year-on-year at 33 cents, while the net income per share for the first six months was \$1.83, against \$1.67 in the first half of 1991.

The earnings per share fig-ures are affected, however, by the fact that the bank sold 57.5m new shares last

January, in an issue that raised \$1.5bn. Mr John McGillienddy, chairman, said the bank's earnings momentum continued in the second quarter, with strong results in most businesses. He said pre-tax earnings were 72 per cent improved year-on-year and

the results were achieved against the backdrop of high bad-debt provisions and loan WIND ONE Net interest income in the second quarter improved 14 per cent at \$1.1bn, while non-interest revenues were \$744m,

up from \$713m a year ago.

Bad debt provisions were \$345m in the second quarter. compared with \$303m a year ago and \$375m in the first parter of 1992. Mr McGillicuddy said the provision level would decline during the rest of the year.

Non-performing assets were \$6.56bn at the end of June, about the same level as a year ago and more than \$300m higher than the level at the and of March 1992.

Commercial loan write-offs during the quarter amounted to \$345m, up from \$273m a year ago. If less-developed-country write-offs are added, the figures rise to \$398m. against \$759m a year ago. Total staff at the end of last

4.528 since the merger was first announced last July. The bank said its cost saving

plan was proceeding ahead of schedule, with expected annual savings of \$250m by year-end, up from the original target of \$225m. It said it was well on its way

to exceeding the annual \$750m savings by 1995, projected at the time of the merger.

# American **Brands rises** to \$202.6m

AMERICAN Brands, the tobacco and consumer products conglomerate, reported an 8.7 per cent increase in second-quarter profits to \$202.6m after tax. writes Nikki Tait.

Total revenues rose by 10.5 per cent to \$3.25bn, and net profits for the first six months of the year were up by 11.3 per cent to \$447.8m.

Mr William Alley, the company's chairman, conceded the economic environment had been tough, and price competi-tion had intensified "in almost

Operating profit from tobacco, the largest single division, increased by 7.2 per cent in the second quarter, to \$231.2m, while life insurance profits were up by 15.9 per

cent to \$42.9m. The drinks side saw the largest profits rise, up 35.3 per cent at \$44.5m, but this partly reflected the acquisition of seven spirit brands from Canada's Seagram in 1991.

# Securities losses hold back net at S Korean banks

By John Surton in Secul

TOTAL operating profits at South Korea's 21 commercial banks rose 39.1 per cent to Won1,128bn (\$1.43bn) during the first half of 1992. Net profits, however, increased by only 9.9 per cent to Won332bn. according to the country's Office of Bank Supervision.

The slower growth in net profits was blamed on appraisal losses on securities due to the slump in the Seoul bourse, as well as increased loan-loss provisions as bankruptcles rose 66 per cent to a record level.

The six main commercial banks - Cho Hung, Commer-cial Bank, Korea First, Hanil, Bank of Seoul and Korea Exchange - reported total net profits of Won133.6bn, an increase of 2.2 per cent. They have larger securities holdings than the provincial banks and a bigger exposure in corporate lending.

Operating profits among the six main banks rose 51.1 per cent to Won712.1bn.

The sharp rise in operating earnings reflected the hig interest rate margins enjoyed by Korean banks. The interest rate margin is around 4.5 per cent compared with 2.8 per cent for US banks and 1.9 per cent for Japanese banks.

Although interest rate mar-gins on short-term funds have expanded due to recent financial deregulation measures, controls remain on other inter-

Sy Kevin Brown in Sydney

GIO Australia Holdings, the

recently privatised insurance

group, is expected to trade at a

small premium when the

shares are listed on the Austra-

Brokers said GIO, formerly

owned by the state government

of New South Wales, would

probably trade at a premium of

lian stock exchange today."

SOUTH Korea's three largest consumer electronics groups reported mixed sales results for the first five months of 1992, writes John Burton. Samsung Electronics, the biggest electronics concern, achieved

2.1 per cent rise in turnover to Won709bn (\$902.6m). It said sales of colour TVs and audio systems rose 8 per cent,

while demand for VCRs slid 16.4 per cent. Sales of air conditioners also plunged 50.5 per cent. This was due to a government campaign to discourage their use in order to save electricity and reduce the country's oil import bill. Goldstar unveiled a 3.5 per cent drop in sales to Won507.5bn due to lower demand for VCRs, washing machines, refrigerators and air conditioners. Sales of audio systems, however, rose 11

per cent, while microwave oven sales rose 29 per cent. Daewoo reported a 21 per cent jump in sales to Won302.3bn. The introduction of a new "air bubble" washing machine resulted in a 172 per cent increase in washing machine sales, to Won53.5bn. Colour TV sales rose 85 per cent to Won42.7bn.

Total interest income rose 34.1 per cent to Won1,440.7bn. Non-interest income, including premiums and foreign exchange gains, increased by 20.2 per cent to Won543.9hn. Cost grew at slower pace

than income, up 24.7 per cent. Korea First Bank had the highest operating profits at Won139.9bn, an increase of 59.9 per cent. It also reported the largest increase in net profits among the main commercial banks, with a rise of 112.6 per cent to Won45.7bn.

Hanil had the largest net rofits at Won48.3bn, an increase of 3.6 per cent. It ranked second in terms of operating profit at Won130.3, a rise of \$6.9 per cent.

Premium expected on GIO

tion in Australia, closed A\$1bn

oversubscribed just 36 hours

after it opened. More than 75

per cent of the 500m shares

were sold to small investors in

GIO is expected to announce that it is to acquire SIO, for-

parcels of less than 5,000.

Cho Hung reported a 34.9 per cent increase in operating profits to Won124.8bn, but net profits fell 58.7 per cent to

Won12.6bn, the steepestdecline among the main banks. Korea Exchange had the highest increase in operating profits among the main banks. with a 107.5 per cent rise to Won124.1bn. Net earnings rose 40.3 per cent to Won10.1bn. Commercial Bank had a 46.5

per cent increase in operating profits to Won108.3bn, but net earnings fell 15.6 per cent to Won124bn

The Bank of Seoul suffered a 55.9 per cent drop in net earnings to Won4.5bn, although operating profit rose by 35.5 per cent to Won84.7bn.

Shinhan, a Seoul-based bank, was the most profitable in the country with net earnings of Won65.8, an increase of 7.3 per cent. It also had the second highest operating profits at Won130.5bn, a rise of 48.5 per

# **Banc One plans ATM venture**

By Karen Zagor in New York

BANC ONE, the expansionist Onio-based commercial banking group, has acquired an Illinois-based bank in a stock deal valued at about \$125m. In a separate deal it said it was joining forces with three other regional banking companies to form an electronic payment

services company. Banc One will form a new company. Electronic Payment Services, in a joint venture with CoreStates Financial. PNC Financial and Society

Corporation. It said the new company will be the largest US processor of automated teller machine transactions, with about 20 per At the operating level, Union cent of the national switched volume. The new company will also be a leading provider of electronic point-of-sale transaction process services.

Banc One said the new company will process about 1bn annual ATM transactions, with core markets in the Middle Atlantic and Midwest regions. Its annual revenue will be more than \$200m.

The four banking groups will all be equity partners in the company. The joint venture will not have a material effect on the financial statements of Banc One, PNC and Society. CoreStates will realise a gain of about \$23m and a rise of \$100m in its tangible equity.

Banc One's merger with Ill-inois-based First Community Bancorp will not be completed until the first half of 1993. It is structured as a tax-free reorganisation and is subject to shareholder and regulatory approval

The terms of the deal are based on Banc One's common of Banc One's stock is between \$47 and \$51 a share, the exchange rate will result in a market equivalent value of \$31.96 in Banc One common

One climbs above \$51, First Community shareholders will receive 0.6267 shares of Banc One stock for each share in First Community. If the market price of Banc One stock falls below \$47, First Community Shareholders will receive 0.68 Banc One shares.

They will also have the right to terminate the agreement if the market price of Banc One falls below \$43 immediately before the transaction closes At midday yesterday, Banc One shares Banc One were \$1/4 lower at \$43%.

First Community Bancorn pperates three banks and seven offices with assets of \$797m. Banc One, with assets of \$48,4bn, is establishing itself as tion through a series of acquisitions. It expects total assets to stand at over \$75bn by the end of the year, when it com-pletes several previously

# Zinc price helps Cominco turnround

A SHARP rise in zinc prices helped push Cominco, the Canadian base metals and fertiliser producer, back into the black in the second quarter.

Earnings were C\$18.1m, (US\$15m), or 22 cents a share, up from C\$7.3m, or eight cents a share, a year earlier. The company suffered a C\$4.9m loss in the first quarter of 1992. Sales rose to C\$416.6m from

The zinc price was about 20 per cent higher in the second quarter than a year earlier. In spite of a fall in prices for other metals, sales volumes of lead and nickel climbed substantially. Operating profit from mining and minerals

ALLFLEX HOLDINGS LTD

(New Zealand)

has sold its

PET FOOD DIVISION

NESTLE New Zealand Limited

BANEXI (UK) LTD

acted as adviser to Allflex Holdings Ltd

in this transaction

Paris - New York - London

Brussels - Frankfurt - Düsseldorf - Milan

Madrid - Barcelona - Lisbon

climbed to C\$146.1m from

Fertiliser volumes were higher, but were offset by a continued slide in prices. Operating profit from fertilisers advanced to C\$22.4m from C318.1m.

Cominco confirmed that a decision on the future of its troubled lead smelter at Trail, British Columbia, has been delayed until late this year or early 1993. The company said its Quebrada Bianca project in Chile was scheduled to be brought on stream in mid-1994. • Rio Algom, a diversified Canadian mining group formerly 51 per cent controlled by RTZ, recorded higher secondquarter earnings with better potash and copper results and rate. But performance of its uranium, coal and metals distribution units weakened.

Profits were C\$8.2m, or 17 cents a share, against C36.4m, or 13 cents a year earlier, on revenues of C\$254m against C\$267m. First-half earnings dipped to C\$13m, or 27 cents a share, from C\$20.4m, or 44 cents, a year earlier, on sales of C\$507m against C\$540m.

'The 1992 period included a special loss of C\$5.8m by its Nova Scotia tin mining opera-tion recently shut down. Also uranium, metals distribution and investment income was lower. Earlier this month RTZ completed the sale of its 51.5 per cent interest for C\$362m through a secondary offering.

## **O&Y** loans hit Montreal Trustco

By Robert Gibbens in Montreal

MONTREAL Trustco, the financial services arm of BCE, has posted a first-half loss of C852.5m (US\$43.70), or \$1.39 a share, on revenues of C3673m, after special provisions of C394m. They included C\$50m to cover loans to Olympia & York Developments.

A year earlier, the company earned C\$29.1m, or 65 cents a share, on revenues of \$770m. The second-quarter loss this year was C\$58.5m, or C\$1.51, after the special provisions,

against a profit of C\$14m, or 31 cents, a year earlier. · Co-Steel, the Canadian mili group that owns Sheerness Steel in the UK, continues to feel the impact of low prices. although North American mar-

kets are improving. One of the few North American steelmakers to post a profit in 1991, Co-Steel reported second-quarter net income of CSim, or 4 cents a share, on sales of C\$251m.

The year-to-year comparison was distorted by special tax Brokers had earlier suggested the shares would list expected to begin trading today at a discount to its flotation price of A\$0.50. The A\$50m Southern Cross flotation was 46 per cent undersubscribed, mainly because of

at up to A\$2.90, but forecasts have been reduced in line with general weakness in the Aus-. The A\$1,2bn (US\$890bn) flotation, the biggest privatisaamong airlines following dere-

merly the state insurance office of Victoria, being sold by the state government • Southern Cross Airlines, which hopes to resurrect Com-pass Airlines next month, is

about 20 cents to the flotation

worries about competition

gulation of the domestic aviation market in October 1990. Compass, which has been acquired by Southern Cross,

collapsed in December after losing a fare-cutting battle with government-owned Australian Airlines and Ansett Australia, owned by TNT and News Corporation. The relaunched Compass

plans to concentrate on high frequency routes on Australia's eastern seaboard, initially using a fleet of five 142-seat MD-80 streraft flying between six cities. Southern Cross has forecast

ю

a net loss of A\$7.75m for 1992-98, followed by a net profit of A\$13.23m in the following

# McCarthy seeks new markets in retail link

By Philip Gawith

price of A\$2.40.

iralian market.

McCARTHY, South Africa's largest car sales group, and Prefcor, a mass-market retailer, are joining forces. The newly-merged group, McCarthy Prefcor, will have annual turnover of R4.5bn

(\$1.63bn) and a market capitalisation of R900m. McCarthy is acquiring Prefhold through issue of its paper. It will then sell some Prefhold subsidiaries.

McCarthy, a mature business, is seeking diversification. lt is joining Prefhold, a young group, to benefit from prospects in consumer durables

and clothing.

Anglo-American holds 37 per cent, is a doyen of South Africa's business establishment. It contrasts dramatically with Prefhold, which has a more informal management The deal also breaks new

ground for Anglo because it offers it exposure to mass-market retailing.
Anglo and its industrial arm.

Amic, hold 37 per cent of McCarthy. After the merger, this stake will be reduced to between 20 and 27 per cent, depending on the degree of acceptance of McCarthy's offer

Mr Brian McCarthy will be chairman of the enlarged

## to Prefhold. McCarthy, in which

Benetton MD steps down

By Haig Simonian in Milan

BENETTON, the Italian clothing group, suffered an unexpected blow yesterday with the announcement that Mr Emilio Fossati is to step down as managing director. The news triggered a slump in the share price to L10,788 from L11,320 on Tuesday. Benetton, which is controlled

by four members of the founding family, has had some difficulty retaining senior execu-tives from outside the immediate family circle. In 1990, Mr Aldo Palmeri, a former Bank of Italy official and Mr Fossati's immediate prede-

cessor, left the company for a top job at Citibank in Milan. Mr Fossati, a former managing director of the Mondadori publishing group, is to begin a new career as an entrepreneur. He will remain on Benetton's board until 1994. His functions as managing director will be taken up by Mr Gilberto Benetton, the chairman, pending the appointment of a successor.

• Mr Giuseppe Bruno, for eight years in charge of the London branch of Credito Italiano and most recently the head

of the bank's domestic and for-

eign markets division, has

been appointed joint managing

# Japanese car parts maker enters Europe

By John Griffiths

PRESS Kogyo, a leading Japanese producer of pressed components for vehicles, has acquired a 43.9 per cent stake in Press and Platgruppen (PPG) of Sweden for just under Y600m (\$4.8m).

Following the acquisition, PPG is to set up a venture, Press and Plat, in Tongeren, Belgium, to supply pressings to Volvo's Belgian car production

Production is to start next year, with sales expected to reach SKr61m (\$11.3m) in 1994 and SKr90m a year later. Isuzu Motors, Nissan Motor and Mit-subish! Motors each have minor shareholdings in Press

Kogyo. Europe's components industry is likely to take a wary view of the announcement.

Japanese car makers setting up "transplant" manufacturing operations in Europe – nota-bly Missan, Toyota and Honda in the UK – have stressed they do not want to draw in large numbers of Japanese component suppliers in their

However, there has been a slow increase in the number of Japanese suppliers establishing bases or joint ventures in Europe.

As part of the announcement, Press Kogyo said the new venture would also consider sales to Japanese car makers' European production

# plants later. Outlook for US property market remains bleak

COOPERS & Lybrand, the accounting firm, concludes in a gloomy study of the US property market that it will take about 12 years to absorb all the vacant office space across the сошпыту.

The study reveals "a nation that is awash in vacancies" and says there is ample justification for the bearish state of the development and construction industries.

The survey reports there are 62 sq ft of empty office space for every US office worker and close to 52 sq ft of unoccupied shop floor for every industrial

Across the US. Coopers & rate now exceeds 19 per cent.

Absorption of vacant office Lybrand says 1m hotel rooms a day are unfilled and the equivalent of 3,800 shopping centres stand idle.

"These numbers indicate just how pervasive and enduring a problem was caused by the massive overbuilding of the last decade," said Mr Bjorn Hanson, chairman of Coopers & Lybrand's national property division

The report summarises sig-nificant land uses throughout the country across property types, and it charts inventories, vacancy rates and the outlook. The worst surfeit of space is among office properties. where the national vacancy

space will take at least 12 years and even under the most optimistic scenario, Coopers & Lybrand forecasts it will be 1999 before there is a return to traditional rate of vacancy.

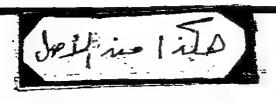
The hotel segment is about four years away from its nor-mal supply-demand equilibrium, in spite of the fact that its vacancy level of 38.7 per cent is only running at 4.7 percentage points above the traditional rate.

On the industrial side, the survey concludes it will take three years to shave the segment's 9.7 per cent vacancy rate back to more traditional levels of 5 per cent to 7 per

An economic recovery would do little to help the retail segment, where the study notes it would take at least three years to fill enough empty stores to bring double-digit vacancies back to a normal range.

By far the brightest spot on the horizon for the property market is on the residential side, where Coopers & Lybrand finds potential tenants and owners at least outnumber the available housing stock.

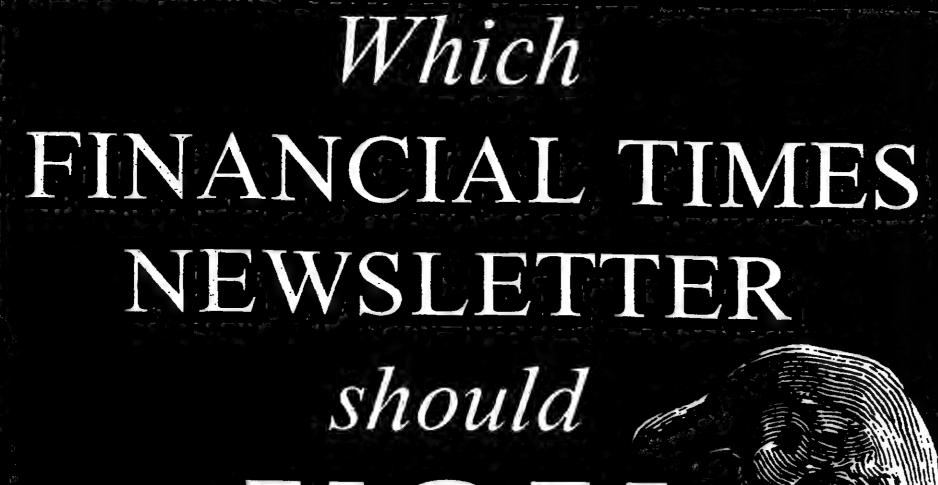
Single-family and apartment occupancy could return to normal within a year if consumer confidence continues to recover, the study says.



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# INTERNATIONAL CAPITAL MARKETS

BENCHMARK GOVERNMENT BONDS

# German money supply figures bring unease

By Richard Waters in London and Patrick Haverson in New York

WORSE-than-expected figures on the German money supply further knocked confidence in European bond markets yesterday, though an easing of pressure in the German money markets allowed bunds to recover their poise by the end of the day.

## GOVERNMENT BONDS

The keenly-awaited June growth rate for M3 came in at 8.7 per cent, down from a revised 8.8 per cent for May (previously also recorded at 8.7 per cent). The news undermined a rally in the bund market, which had been prompted by speculation early in the day that the M3 data would show a

growth rate of 8.3 per cent. The latest figure was largely disregarded as a guide to the future direction of German monetary policy. Last week's move by the Bundesbank to raise the discount rate while leaving the key Lombard rate untouched would have been taken with full knowledge of the latest money supply posi-

tion, analysts said. The key number will be the July figure, which comes out in August," said one economist. "At the moment, it's too close to call." In the meantime, the Bund-

esbank's actions at its weekly repurchase tender confirmed its apparent intention since last week's rate rise to alleviate tension in the money market. "They're giving the impression that the market has taken their move last week too seriously," said Mr Neville Quie, an analyst at Salomon

Brothers in London. The authorities injected a net DM7.7bn into the market, at a general rate of 9.7 per cent. That helped money market rates to fall to below 9.7 per cent, further below the 9.75 per cent Lombard rate. The bund futures contract on Liffe traded in a range of \$7.05.

87.41, before coming to rest at

87.27, up on the day.

■ THE UK government bond market was shaken temporarily by the the German money supply figures, but it recovered

Fixated by events in Germany, the news that retail sales in June had fallen by 0.2 per cent had little effect on the market. "People are now waiting to see what comes out of the cabinet about public spending," said one observer.

Mr Norman Lamont, the chancellor of the exchequer, has given stern warnings that public spending will have to be contained to prevent the fiscal deficit rising, and the market is now waiting to see whether he can deliver.

Gilt futures, which had opened at 98.23, ended the day lower at 98.17, though up from the 89.09 they touched after the news from Germany.

■ ANOTHER decline in equity prices worldwide and speculation that the Federal Reserve was in the market buying bonds provided US Treasury securities with a boost. In late trading the bench-

 
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ECU (French Govt) 8.500 03/02 94 5100 -0.060 9.38 9.03 8.98

7 500 05/02 8.000 11/21

104-08 100-22

104-20 + 6/32 104-14 + 18/32

mark 30-year government bond as up % at 104%, yielding 7.618 per cent. The two-year note was up \( \frac{1}{4} \) at 101%, to carry a yield of 4.235 per cent. The main influence on early trading was the fall in Japa-nese, European and US stock

equity prices would persuad ors to move out of stocks and into government securities gave a lift to the long end of the Treasury market.

9.05

6.84 6.84 7,61 7,67

The second day of congres

## sional testimony by Mr Alan Greenspan, the chairman of

## Mexico plans its Nine UK first New York housing associations raise £83m

By Simon London

NINE UK housing associations yesterday raised £83m (\$158.53m) from institutions investors by making a bond issue through a joint venture

The deal, underwritten and arranged by Kleinwort Benson, marks a further step in the battle by housing associations to secure long-term private sector funding. The associations are non-profit-making organisations devoted to providing low-cost housing. The cash raised will be used for building homes and upgrading housing stock.

The government has piedged £1.7bn this year to back development but about £500m private sector finance is needed. Most private sector funding comes from short-term bank-ing facilities, but housing associations are keen to raise

long-term institutional cash. Yesterday's issue was made by Haco, a joint venture com-pany set up by the nine housing associations. Similar vehicles have been used by smaller brewery companies and investment trusts to raise funds from the bond market.

The bonds pay a semi-annual coupon of 10% per cent and were priced to yield 173 basis points more than long-dated UK government paper. Most of the paper was placed with UK institutional investors, although only a small number of institutions are active in the sector. Bankers estimated that yesterday's issue was bought by 25 to 30 life insurance companies and pension funds.

Previous bond issues have been made through The Housing. Pinance Corporation (THFC), which was set up with the backing of the sector regulator, the Housing Corporation, and the National Association of Housing Associations. THFC has raised 2300m through fixed-rate and indexlinked bond taxues.

The bonds are secured on the assets of the nine associations, with interest payments covered by rental income. The nine must maintain interest cover of 125 per cent.

issue in 10 years lengthen further the average maturity of Mexico's debt.

Mr Gurria, in an interview in Madrid, said Mexico was THE Mexican government is already tapping the commerpreparing to re-enter the New cial paper markets in the US York bond market for the first and in Europe, where it was time since it triggered the able to borrow at 150 basis onset of the debt crisis 10 years points (1.5 percentage points) ago with its announcement over US Treasury bill rates. It that it could not meet its forhad also issued 10-year bonds in the Eurobond market at 195 Mr Angel Gurria, underbasis points over US Treasecretary for international

suries Mexico does not at this time have an investment grade rating from the main US rating agencies, but Mr Gurria believes a rating might be possible within months.

Mexico's return to the New York market and its promotion as an investment grade credit would mark its final reacceptance in the international capital markets. Helped by a 1990 agreement to reduce its debt, the Mexican government now devotes 4.2 per cent of its gross domestic product and 16 per cent of its budget to interest payments, compared with 18 per cent and 42 per cent respectively as recently as 1986.

# Argentina stays in spotlight with two more launches

**By Simon London** 

TWO companies yesterday maintained the high profile of Argentina in the international bond market by launching

Eurodollar transaction The issues, for Telefonica Argentina and Banco de Credito Argentina, follow hard on

## INTERNATIONAL **BONDS**

the heels of a \$200m deal for Argentina Telecom launched last Friday. Acindar, a steel company, is expected to launch a \$100m deal soon.

The spate of issues follows approval by the CNV, the Argentine regulator. Borrowers are also keen to launch issues before the end of July and the start of the holiday season in

the US and European markets. Telefonica Argentina vesterday raised \$100m over three years through a deal leadmanaged by Lehman Brothers International. The bonds pay an 8 per cent semi-annual coupon and were re-offered to

investors at par. At this level the yield is 328 basis points more than US Treasury bonds.

The borrower is a monopoly provider of telecommunications in southern Argentina and the business areas of Buenos Aires. On Friday, Argentina Telecom, which supplies the north of the country, raised \$200m five-year funding at a yield spread of 345 basis points.

Banco de Credito launched a \$75m two-year issue, with a put option after one year, via Citicorp Investment Bank. The vield spread was far wider at 545 basis points, reflecting the weaker credit quality of the issuer. From an issue price of 98.666, the bonds were quoted at 98.875 bid by late afternoon. Participants in both issues

reported smooth placement

underpinned by demand from retail investors. Earlier this month, accuse tions of corruption against Mr Collor de Melio, Brazii's president, and weak stock markets in the region caused most new issue plans to be shelved.

While the Collor scandal

remains unsolved, Brazil has

ET/ICHA INTEGNATIONAL BOND PERIORE

since agreed a debt restructuring package with its commercial bank creditors. Last week, Argentina's credit rating was raised by two notches to B1 by

Moody's Investors Service. While the mood among investors is now more positive. bringing issues for Latin American borrowers can still be difficult. Banco de Chile's planned \$75m issue via Bankers Trust, the first by a Chilean borrower, has been postponed beyond this week. Sources said negotiations

In the mainstream of the international bond market, potential issuers were detered by the uncertain tone of European bond markets. General Electric Capital launched a \$150m four-year deal, lead-managed by ScotlaMcLeod.

between the issuer and the

Chilean authorities were slow-

ing the progress of the deal.

The 6% per cent bonds were re-offered to investors at a fixed price of 99.55, for a yield of 6.63 per cent. The lead manager said the deal was priced to yield 43 basis points more than a new Canadian government bond which also carries a 1996 maturity date. However, other participants in the deal claimed the spread was as low as 15 basis points over the government bond yield curve.

following a sharp rally in the Canadian market in recent weeks there are few outstanding issues trading below par. For example, an outstanding GECC issue maturing 1996 was trading at 110 per cent of face

# NEW INTERNATIONAL BOND ISSUES

Britonii US COLLARS	Amount in.	Coupon %	Price	Materity	Fees	Book runner
Telefonica Argentina(c)† Bco de Crad.Argentino(d)	100 75	8	100 98.665	1995 1994		Lehman Bros.ing. Gittoorp Inv. 9k
FIERLING Haco Ltd(e)T	83	10.625	99.867	2017	0.75	Kleinwort Benage
CARADIAN DOLLARS GECC(a)†	130	8.5	100.95	1996	1,625/1,4	ScotlaMclead
D-MARKS ECSC(b)\$1	372	(b)	100.23	1997	20/10bp	Deutsche Bik.
IWISS FRANCS BM Intl. Finance(a)†	50	9.25	101.30	1983		Swiss Volksbank

# Mexican exchange to offer warrant trading

By Damien Freser in Mexico City

MEXICO is to introduce a market of listed warrants in the second half of August. according to the Comision Nacional de Valores (CNV).

By Stephen Fidler, Latin

eign debt payments.

bond sinne 1980-81.

financial affairs in the Mexican

Ministry of Finance, said an

issue was being planned in the name of the United Mexican

States for around \$200m. It

ssne of a so-called Yankee

He said that, as the govern-

ment was running a budget

for the money and so the issue

would only go ahead if market

conditions were right. The gov-

eroment was aiming to estab-

lish a benchmark from which

other Mexican borrowers could

price their bond issues. It also

wanted to re-establish its name

in the New York market, and

hoped to use the issue to

surplus, it had no urgent need

America Editor, in Madrid

The warrants will be listed and traded on the Mexican stock exchange, and issued by brokers, banks and companies on which the warrants are traded. Warrants will be based on either individual stocks or basicets of stocks.

The authorities hope the warrants will boost the underlying stock market's liquidity, and stem the growing tide of warrants business being con-ducted offshore. Merrill Lynch, Nomura and Banamex all offer warrants listed in Luxembourg on baskets of Mexican stocks,

while the listed options on Tel-

mex, the telephone monopoly, are traded in New York. CNV plans to offer a listed options market in the near future and a financial futures market later. The warrants and options market will let inves-

tors protect themselves from

price changes, and better control the risk of buying into the volatile Mexican market. The options and warrants market in Mexico is unlikely to take off while restrictions remain on margin trading and short selling in the underlying market, and while brokerage fees stay higher than in the US. Such obstacles inhibit the arbitrage between the underlying and derivative market. thus making it difficult to use

options and warrants as effi-

# MARKET STATISTICS

RISES AND FALLS YESTERDAY

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970 LONDON RECENT ISSUES Augitan Group
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The Financial Times Ltd., 1992. Reproduction in whole or in part in any form not pert.

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ferent from its first half 1991

turned a jaundiced eye on engi-

All of the recently reporting

companies, except Transfer Technology, had been trading

at or near to the bottom of their 1992 range even before more general uncertainty

swept the Stock Exchange at

Albert E Sharp, the Birming-

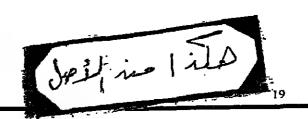
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the end of last week.



# **Border shows** 40% advance to £1.22m

A 40 per cent advance in pre-tax profits, from £866,000 to £1.22m, was announced by Border Television, the USM-quoted regional operator based in Cumbria, for the year to April

The result was achieved on turnover down from £12.2m to £11.8m - principally due to reduced programme sales of £732,000(£1.55m) following TIV network changes. Advertising sales, however, improved by 1.5 per cent, a "creditable performance in depressed conditions," the company said.

The outcome reflected cost controls and an emphasis on conserving cash resources. The cost reduction programme would continue, the company

to 7.6p (6p) and the proposed final dividend of 1.6p lifts the

Border has holdings in Radio Borders and South-West Sound also part of a consortium bid-ding for the Carlisle radio fran-

# Doeflex rises 51% and seeks £1.3m for expansion

thermoplastic materials, yesterday unveiled a 51 per cent rise in interim profits, a £1.6m cash acquisition and a share placing and open offer to fund

For the six months to June 30 profits rose from £580,000 to £876,000 pre-tax from turnover 39 per cent higher at £12.9m.

directors said the growth in sales reflected in part the inclusion of Horizon Industries for the first time. Organic growth was about 11 per cent. They added that profits have yet to benefit from the inclusion of Horizon - Doeflex took a 60 per cent stake in the Belgian-based group towards the end of 1991.

Earnings worked through 53 per cent ahead at 7p (4.57p) and the interim dividend is lifted from 1.32p to 1.6p.

The acquisition is that of the

Earnings per share improved

total to 27p (2.Ip). For the remainder of 1992

advertising revenues were expected to achieve at best marginal growth, directors said. They were confident, however, that their arrangement in the north for Granada to market and sell its airtime would be beneficial.

in Scotland and has recently acquired a 30 per cent holding in Morecambe Bay Radio. It is

# DOEFLEX, a supplier of Iridon technical sheet division

of Lawson Mardon Group UK, primarily funded via a placing of 1.5m ordinary shares with institutions at 98p apiece to raise £1,33m net. The balance will be financed from existing

banking facilities. Ordinary shareholders can apply for the new shares on the hasis of one new share at 98p for every 5.67358 shares

Doeflex shares closed 5p higher at 112p.

# BOARD MEETINGS

The following companies have notified of board meetings to the Stock Each fluich meetings are usually held for the Interime- Derby Trust, Drayton Far Sassam, Orsen Property. Hill & Smith, Thomson Pan-European Inv Trust. Flastis- Abtrust Preferred Inc Trust. Secountic Developments: Zibief, Suart. Flotino, First Technology. Greycost, Independent Inv., Kere-

# Rubicon moves into black with £822,000

THE NEW management of Rubicon Group, the shopfitter formerly known as Courtney Pope, yesterday reported an £822,000 move back into the black at the pre-tax level for the year to May 31.

The shares responded with a 28p rise to 131p before settling at 125p. 1990-91 deficit The

amounted to £8.9m and included an exceptional provision of £6.87m for losses and closure costs of discontinued

Turnover totalled £15m (£47m) and earnings per share of 30.4p compared with previous losses of 568.2p. The company underwent a capital restructure in April and ended 1991-92 with a

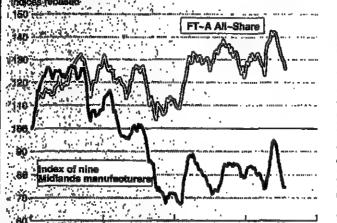
"strong balance sheet and a positive cash position."
Shareholders' funds of £2.4m
compared with a previous deficit of £4.2m and net current assets of £1.3m compared with

dabilities of 16.5m. Future prospects were described as "encouraging". The company's strong capital base had put it "in a position to benefit from growth oppor-

The directors have approved dividend, together with

Subject to "satisfactory trading results in the forthcoming year" they expected to resume ordinary dividend payments at the interim stage.

# nies are high "because of low profitability. But relative divi-Midlands manufacturers underperform the market



# Balancing the steps taken to restore profits

Paul Cheeseright on the recent gloomy results of West Midlands industrial groups TERSON International Brasway came, as Mr Mark dend yields are, by historic

will this week write its Swaby, chairman, noted, from own epitaph on a a very low base point: its tube own epitaph on a gloomy reporting season for industrial groups based in the West Midlands - traditionally the geographical heart of Brit-

ish manufacturing.
Doubtless there will be promises of future profitability after reorganisation and report of a first half-loss. To some extent, therefore, Verson will be typi-

This month, nine other small and medium-sized quoted industrial groups – Brasway, Bromsgrove Industries, Hampson Industries, Newman Tonks, Transfer Technology. Triplex Lloyd, Victoria Carpet. Wheway and Wyko — have published figures.

They represent a cross-section of industry with activities running from carpets and architectural hardware to environmental engineering and foundry products. However, all except Brasway

and Transfer Technology reported falls in their pre-tax profits and Wheway sank into

In different and limited ways Brasway and Transfer Technology offer a guide to the future.

standards, low. This coupled with the failure of the UK economy to 'follow through' operations saw the downward spiral earlier than most indusafter the general election, has caused the sector to have something of a relapse over the "We had the pain earlier, we took earlier action," he said.

last two months". For its part, Transfer Tech-nology is dependent on export Sensitive to the market, however, all the recently reporting markets and thus shielded to a companies - despite their cost degree from the UK recession. and trading problems - have But while this former Maxmaintained or increased their well company may gather dividends, sometimes dipping strength from its diversity of into reserves to do so. markets, its 1992 shape is dif-

Yet the market is now forced to make a fine calculation. It has to balance the steps which structure, making growth comthe companies have been tak-Against the background of receding profits, it is not sur-prising that the market has ing to restore profitability against an estimate of how far if at all, trading conditions are likely to improve.

Although Mr John Bettinson, chairman of Victoria Carpet, could claim this week that "to a large extent we have avoided redundancies," this is not the case with other recently reporting West Midlands-based

Seven of the nine have dis-posed of businesses or closed capacity or taken job losses, or, indeed, done all three.

Cost-cutting in an effort to raise productivity and ward off margin pressure has been endemic. At the same time, all the companies with the exception of Triplex Lloyd have either kept gearing static or reduced it. "Although interest rates

have fallen, there is little sign of them coming down further, and, with the widening of the margins of the banks, nobody wants to be extended on borrowing," observed Mr Chris Clayton, finance director of Hampson Industries.
Triplex Lloyd, however, where borrowing is linked to

expansion, feels comfortable with gearing raised over its last financial year from 38 per cent to 45 per cent. There is some evidence that the cost-cutting, where it has

problematic. been allied to investment, has put companies in the position where they can increase profit-

David Botterill: there is noticeably less optimism

ability even if trading conditions do not improve. It has already been the case at Brasway. It is likely to be the case at Wyko, for example, which has rationalised its components distribution branch network. Triplex Lloyd reported significant margin improvement in both its automotive and power divisions.

In stock market terms this phenomenon is more encouraging than the trading prospects. It is now clear that, across the board, the rise in UK demand during the second quarter and particularly in April simply aded away.

"There is noticeably less optimism generally than was the case during the late spring," Mr David Botterill, chief executive of the Engineering Employers Federation West Midlands, said yesterday.

Although, last week, the West Midlands regional council of the Confederation of British Industry reported that export demand was holding up, the international scene remains

All of the nine have international interests, reflecting the now accepted nostrum that, to survive, Midlands industrial groups cannot depend on the ÜK market.

But Wheway, the environmental engineer, reported that although demand had been good in the US and Scandinavia it had been poor in Australla. Newman Tonks, the architectural hardware group, found its European sales profits had been dropping. Bromsgrove Industries has found lower European demand. On the other hand Transfer Technology found that sales were holding up well in south-east Asia. Given the trading uncertain

tles, industrial activity will probably remain at a low level. Midlands Electricity, as good an indicator as most, is predicting a 0.5 per cent rise in industrial sales of electricity this year. This points also to further cost-cutting and the reduction of capacity for large and smaller groups alike.

Indeed, in recent weeks British Steel, Chubb, the Racal locks subsidiary, Glynwed, the engineering group. Grasshopper, the privately-owned babywear group, and United Engineering Steels have all announced further job losses in West Midlands

Refining copacity

## RESERVE BANK OF INDIA **NEW NOTE PRESS PROJECT**

NOTICE INVITING APPLICATIONS FOR PRE-QUALIFICATION FOR SUPPLY, ERECTION AND COMMISSIONING OF SECURITY AND SURVEILLANCE SYSTEMS FOR THE NEW NOTE PRESS PROJECT Ref.No.BNM 10 /1992

Applications are invited from experienced and reputed parties for pre-qualification bids for design, manufacture, supply, erection and commissioning of Security & Surveillance Systems for the New Note Press Project at. its two locations at Salboni, West Bengal and Mysore, Kamataka. Those who have responded to our earlier advertisement Ref. BNM 7/1991 may apply afresh stating the technological advancements in the intervening period and also evidence of any collaboration arrangement.

Scope of Work includes design, manufacture, supply, eraction & commissioning of electronic security and surveillance systems consisting of: passive infra-red/microwave intruder detection system

outside the perimeter computerised access control system at the entrance burglar alarm system for the vault doors

Infra-red/microwave detection system in security areas CCTV surveillance system of latest design with multiview monitors, picture freeze and recording

integrated alarm system with CCTV cameras and VCR RF zone sensors for high security zone and vehicle control at gates

The estimated cost for each site is approximately Rupees 15 million and the time schedule for phase I is 12

The intending applicants must have executed large orders of similar nature in the past and should have supplied and installed a major part of the above equipment and systems for integrated operations and should be in a position to do so within the indicated time schedule,

The pre-qualification bids shall contain the following information about the applicant parties:

(a) Registered name and address, Telephone, Telex and Fax numbers.

(b) Annual Accounts for the last three years, income-tax clearance certificates and solvency certificate (for Indian parties only).

(c) Bankers' references and their willingness to provide

(d) Details of design and manufacturing facilities and skilled personnel in employment.

(e) Details of similar equipment and systems supplied & services rendered during the last 5 years by them or their collaborators as well as current orders under execution with description of customers/firms/ organisations, value and date of contract, scheduled time for completion and actual time of completion, performance certificates from clients, etc. duly supported by documents. Large works executed for Government / major private sector organisations may

Sealed applications in four copies alongwith enclosures must reach The Managing Director (Designate), New Note Press Project, Reserve Bank of India, Garment House, Gr. floor, Dr. Annie Besant Road, Bombay 400 018, INDIA, latest by 1300 hrs IST on 5th September, 1992.

The sealed envelopes shall be superscribed as follows: "APPLICATION FOR PRE-QUALIFICATION --REFERENCE NO. BNM 10/1992".

New Note Press Project, Reserve Bank of India reserves the right to reject any or all application(s) for prequalification without assigning any reason whatsoever. The applicants who are pre-qualified will be advised to

purchase tender documents by paying the prescribed fee and no general notice inviting tenders for the above will be issued. The Bank may, however, issue such notice for

# **Property Security** Investment Trust

PROFIT UP

INCREASED DIVIDEND

Extracts from the statement by the Chairman Mr. A. R. Perry.

■ Group profit before tax rose from £3.1 million

to £6.7 million. ■ Rents up from £15.3 million to £17.7 million.

Extraordinary profits of £1.9 million. ■ Australian district shopping centre being

■ All interest and finance costs charged to

revenue.

■ No off balance sheet accounting. ■ Net asset value per share £1.40.

■ Total dividend for year 3.75p against 3.125p

# Results for the year ended 31st March 1992

£000	)'s <b>1992</b>	1991
Total rents receivable	17,953	15,492
Net property income	16,613	14,780
Profit before tax	6,720	3,082
Ordinary dividend per share	3.75p	3.125p
Share capital and reserves	161,081	175,916

Copies of the complete report and accounts will be posted to shareholders on 18th August 1992 and copies may be obtained from G. H. Caines, Managing Director, Fetcham Park House, Lower Road, Fetcham, Surrey, KT22 9HD.

## WOOLWICH BUILDING SOCIETY £275,000,000 Floating Rate Notes Due 1993

(comprising E20,000,000 Flowing Rate Notes due 1993 issued on Eth Inly 1983 (the 'Original Notes') and a further E75,000,000 Floating Rate Notes due 1993 issued on 20th August 1991, and, with effect from E4h October 1991 consolidated and forming a single series theoretical.

continue with the terms and conditions of the Notes, arollee is hereby given that for the three month interest period from fand including). 21st July 1992 to (but excluding) 21st July 1992 to (but excluding) 21st October 1992, the Notes will carry a rate of interest of 8th per cent. per annum. The relevant interest payment date will be 21st October 1992. The coupon smount per £10,000 will be £253,93 and per £100,000 periodical periodica Hambron Bank Limbed

Agent Bank

RRITANNIA **BUILDING SOCIETY** 

> Issue of up to Floating Rate Notes Due 2005

In accordance with the terms and conditions of the Notes, notice is conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 22nd July 1992 to (bur excluding) 22nd October 1992, the Notes will carry a rate of interest of 10.96875 per cent. per annum. The relevant interest payment date will be 22nd October 1992. The coupon out per £1,000,000.00 Note will be £77.571.72 payable against surrender of Coupon No: 11. Hambros Bank Limited Agent Bank

Currency Fax - FREE 2 week Irial **Back Anne Whitby** from Ottort Analysis Etd 7 Swallow Street, London With 7HD, UK exchange rate specialists for over 18 years

# Sociedad Anónima

# Ministry of Economy and Public Works and Services Republic of Argentina

Calls for the qualification and selection of national and international companies to enter into an association with YPF Sociedad Anonima for the exploration, development, exploitation and refining of hydrocarbons in The Northwest Basin of the Republic of Argentina, pursuant to the Terms and Conditions established by International Public Tender

<u>Area</u>	Approximate Surface Area (in square miles)	Refining capacity hhl/d
Aguaragüe (Province of Salta)	6,150	_
Palmar Largo (Provinces of Salta and Formosa	6,700	_
Campo Durán (*)	others.	30,000

Terms and Conditions The Terms and Conditions may be purchased at a price of US\$200. Checks should be made payable to YPF Sociedad Anonima. Only companies or consortia which meet certain qualification criteria will be permitted to bid for the right to enter into an association with YPF Sociedad Anonima.

Interested parties may acquire the Terms and Conditions starting July 20th, 1992. In YPF Sociedad Anonima's headquarters, located at Avenida Roque Sáenz Peña 777, 7th floor, office number 702/6, Buenos Aires, Argentina, at any time between 9:00 am and 12:30 pm; or in YPF Sociedad Anónima's Technical and Commercial Office, at 5 Greenway Plaza, Suito 250, Houston, Texas 77046, Tel: (713) 621-4850 or Fax: (713) 621-4803 at any time between 10:00 am and 12:00 pm; or they may request further information from YPF Sociedad Anónima's Financial Advisers, namely MORGAN STANLEY & CO. INCORPORATED, at 1251 Avenue of the Americas, New York, NY 10020, Tel: (212) 703-7473 or Fax: (212) 703-7888, and ROBERTS CAPITAL MARKETS S.A. at 25 de Mayo 258, 7º Piso 1002, Buenos Aires, Argentina, Tel: 343-4452 or Fax: 151-5826.

# Qualification Period

Interested companies or consortia are required to deliver a Qualification Form and related documents to YPF Sociedad Anónima, Avenida Roque Saenz Feña 777, 7th floor, office number 702/6, Buenos Aires, Argentina, on Mondays through Fridays 10:00 am through 12:00 pm, starting July 20th, 1992. Companies or consortia that meet the qualification standards will be notified in writing.

# **Bid Date**

Bids for the Areas will be opened on October 15, 1992 at 11:00 am, in YPF Sociedad Anónima's headquarters at Avenida Roque Sáenz Peña 777, 13th Floor, Buenos Aires, Argentina.

NOTE: Those companies who accessed the Data Room during the information stage of this Public Tender are not required to purchase the Terms and Conditions.

MORGAN STANLEY & CO.

(\*) subject to approval by Argentine Congress.

ROBERTS CAPITAL MARKETS S.A.

# Expamet shares fall on pay-out cut

Wellcome's share price declined by

priced at 33.6p - roughly 4 per cent of the

Wellcome share price.
They give holders the right to sell

Wellcome shares at a 5 per cent discount

to the price Wellcome shares would

be if they had moved in line with the

The base price for the Wellcome perfor-

Thus, if the shares underperform the

index by more than 9 per cent from the

issue price, the warrants will have value.

mance is the issue price, which is expected

to be a few percentage points below the

The Smith New Court warrants are

By Richard Gourlay

EXPAMET International, the building products and security group, yesterday announced that it will halve its interim 1992 dividend and will probably "substantially" cut the final distribution.

Mr Jeremy Beasley, chairman, has also brought forward his retirement from December and is replaced with immediate effect by Mr John Roberts, a non-executive director.

The announcement was greeted by a 14p fall in the share price to 71p, some 83p below the level prior to the met's UK assets.

shares in the Wellcome sale.

SMITH NEW Court, the securities house,

yesterday launched an issue of up to 10m warrants intended for investors buying

The tender offer of shares in the drugs

group, which closes tomorrow, is expected

to raise about £2.6bn for Wellcome Trust,

the medical charity which is reducing its

stake in the company from 73.5 per cent to

The warrants are designed to protect

holders from a sharp underperformance in

Wellcome's shares compared to the FT-SE

Last week, in another move to help

100 index in the three months following

demand for the Wellcome tender, Barclays

By Maggle Urry

about 35 per cent.

profits warning in June after the discovery that managers of Brema-Air, the Dutch subsidlary, had inflated profit figures. Mr Alex Orr, managing director, said gearing had leapt from 45 per cent to 140 per cent due to a £4m cash loss and similar reduction in shareholders' funds resulting from the

The group's bankers have confirmed their support, but have extracted a commitment below £12m. The banks have secured their overdraft facilities with charges over Expa-

recent sale of Brema-Air.

ing business apart, trading in the rest of the group remained "reasonable." The interim results are due in August and the board expects pre-tax profits - before the extraordinary loss relating to Brema-Air - to beat last year's figure.

In addition to the £4m cash loss, Expamet will also have to show a £3.8m write back of goodwill written off the balance sheet when Brema-Air was acquired in 1988.

Expamet's debt now stands at £23m, on shareholders' funds of £16m. Before the Dutch problem, debt was budgeted to rise to £19m in June, before declining to £12m by the At the last full-year period.

Expamet reported a 43 per cent fall in profits to £7.3m on sales of £141m. Nevertheless, it maintained

board believed that the recession would soon end. "The extent and the depth of the recession continues to sur-

or take a cash settlement.

side risk.

Mr Lenny Barshack, director of deriva-

tives at Smith New Court, said the

warrants would appeal to investors who believed that Wellcome's shares pro-vided good value but wanted protection

against further underperformance. They

could buy Wellcome shares and match

them with warrants to minimise the down-

the FT-SE 100 index by more than 20 per

cent since the sale was announced in early

March, partly pushed down by short sell-ers. Had the warrants been in issue since

June 1989, buyers would have made money

in 8 of the following 35 rolling three-month

Wellcome shares have underperformed

its dividend by digging into reserves, justifying the pay-ment on the grounds that the AIM Group, the maker of aircrast interiors, yesterday reported a 36 per cent increase in profits as the benefit of orders placed some years ago showed through,

Pre-tax profits in the year to April 30 rose from £2.29m to prise," Mr Ort said yesterday. "We all know we must not go 23.11m on sales up 9.6 per cent into recession with heavy to £58m. Earnings per share rose 25 per cent to 13.7p and a recommended final dividend of Warrants offered in Wellcome sale

5p brings the total to 6.5p, a rise of 18 per cent. With the sale of its air conditioning contracting division was thought to be going well, in spite of the shares, in which case there will also be the fall in the UK stock market. a 0.5 per cent charge to cover stamp duty, in May, the group has now

36% rise

to £3.11m

By Richard Gourley

returned to its core business of design and manufacture of aircraft interiors. The restored fortunes of the group follow last year's debt rescheduling relating to prop-erty loans. Some £6m now bears no interest charge and must be repaid only in 1994.

The aviation division increased operating profits by 33 per cent to £4.43m on sale up 17 per cent at £43.7m. Mr Jeff Smith, chairman and chief executive, said the recent high investment in the Derby and Wallisdown sites had been

Mr Smith said that in spite of the strengths of the group and the results which were bang on target", AIM was dogged by the poor state of aircraft cales and the mood in the industry. "Every time they talk of the European Fighter Aircraft, where we have absolutely no involvement, our share price goes down 5p," he

Results from contracting were "disappointing". Sales fell from £15.6m to £15m but erosion of margins led to a fall from profits of £383,000 to break even at the operating level. Eastern Electricity bought the contracting division for £1.5m more than net book value after the balance sheet date.



# Steady growth seen at BAA airports

Pacific Horizon puts new proposals

restructure the trust. instead,

the board recommends the

appointment of Baillie Gifford.

the Scottish fund management group, as investment manager.

It also wants to widen the

trust's investment policy to include Hong Kong, Singapore,

and Malaysia, and to bring its final year forward by 12

The move comes less than a

week after Jupiter Tyndall said

it was in discussions with

another investment trust for a

possible offer for Pacific.

months to 1996.

By Daniel Green

PASSENGER traffic at airports run by BAA is showing a steady recovery from the depressed levels of 1991, said Mr Brian Smith, chairman, seen above left talking to Sir John Egan, chief executive, at yesterday's annual meeting.

BAA's passenger traffic should grow between 5 and 8 per cent in the year to March 1993, representing a 2 per cent improvement on 1990, he said. Over the longer term, the growth rate should settle down at 4 per cent. BAA shares rose after the annual meeting,

but closed 7p lower at 644p in a falling stock These figures concealed a "very depressed"

market for UK domestic traffic, dominated by business travellers, said Mr Smith. The brightest spot was in long haul travel,

where passenger numbers were 8 to 10 per cent higher than two years ago. Recent deregulation at Heathrow had led to a growing number of airlines that wanted to use the airport, said Mr Smith. "Passenger numbers [at Heathrow] actually grew by 2 per cent in

the year ending March 1992." On future projects, Mr Smith said that con-sultations with contractors had begun on the £800m fifth terminal at Heathrow, while the preliminary work had started on the Paddington Station to Heathrow rail link. The rail service should open in 1997, he said.

# Menvier-Swain rises to £6m and cuts debt

for potential investors.

By Richard Gourley

Menvier-Swain Group, the emergency lighting and fire alarms company, yesterday reported a 20 per cent profit rise despite continuing recession in its markets.

Pre-tax profits in the year to end-April rose from £5.02m to 26.02m on sales down 11 per cent to £42.3m. The previous year's figures included husinesses now discontinued.

Earnings per share increased by 24 per cent to 29.2p and a recommended final dividend of 6.3p gives a total of 9p. up 23 per cent.

The group said it had successfully continued its policy of expanding in Europe with the most recent acquisition in Despite the recession in the

UK construction industry the manufacturing companies had nevertheless managed to maintain profit margins and cut costs so that pre-tax profits were close to the previous year's levels.

Not debt was reduced from 25.1m to £2.5m, leading to a 28 per cent fall in the financing charge to £860,000.

## de Zoete Wedd Securites' offered to buy Holders can exercise the warrants at any The warrants will be listed on the Luxtime during the three-month period up to shares in companies to provide liquidity October 37. ambourg stock exchange and Smith New They can either use the warrants to sell Court will make a market in them. Yesterday the book building exercise

By Andrew Taylor, **Construction Correspondent** 

EVE GROUP yesterday became one of the few contractors and property developers to announce a dividend increase during one of the worst results seasons the industry has expe-

rienced. The final dividend goes up from 6.5p to 7p, despite a fall in pre-tax profits from £4.11m to £3.26m for the 12 months to end-March, a decline which reflected lower interest received of £375,000 (£1.05m). Turnover dropped from £46.6m to £39.1m.

The total distribution, covered 2.3 times by earnings per share of 22.5p (29p), increased

from 9.2p to 9.7p. The USM-quoted group's cash position, however, improved by the end of the year to stand at 25.6m (£3.91m). Mr Gerald Hough, managing director, described the results as a considerable achievement

Eve pays more despite profits fall

in such a difficult market. He expected dividends to continue to rise provided profits increased in line with general Lillation. The group's strength is its specialist contracting division which is one of only three companies carrying out work for the National Grid Company,

erecting transmission lines and

pylons. The division also erects

transmission towers for radio

and telecommunications and

chaft, a Vienna-based trading

company, and S Modell, an

established Hungarian retailer.

men's and women's wear and

support and train the staff.

although the venture will be

M and S said: "This is a ten-

managed by Modell.

tative toe in the water.

It will supply a range of

This field of work has held up much better and commands much higher margins than general contracting which only broke even last year.

Construction profits fell by only £51,000 to £3.15m, helped by a strong performance from the specialist engineering division. This was despite a 16 per cent fall in the division's turnover, from £43.3m to £36.2m.

Property development incurred a loss of 2104,000 following an £87,000 deficit the previous year. Profits from Trakway, which provides portable aluminium roadways for construction sites, exhibitions and pop concerts, dipped from £786,000 to £656,000.

# M and S takes toehold in east Europe store venture

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Marks and Spencer, the international clothing and food group, is moving into eastern Europe with the opening of a pilot store in a prominent part of Budapest, Hungary.

M and S will run the store

with Demexco Handelsgesells-

## Quadrant chief quits over vessel payments

Mr Robert Brothers vesterday resigned as chairman of Quadrant Group, which said that Beckworth Enterprises, owned by a trust of which Mr Brothers was a beneficiary, had defaulted on an agreement to underwrite earnings from two vessels Quadrant bought from Beckworth in 1991.

Lord Rees, an existing director, has become chairman.

# **NEWS DIGEST** resulted in the realisation of an

# **Property Security** doubles

IN SPITE OF the depressed condition of its markets, Prop erty Security Investment Trust lifted pre-tax profits from a restated £3.08m to £8.72m over the 12 months to March 31. The period marked the first that the company charged interest in respect of both

investment properties and dealing activities to revenue. The latter was previously capiratised. Net rental income amounted to £18.6m (£14.8m), but invest-

ment income dipped to £2.88m (£3.41m). Interest payable fell from £13.8m to £11.4m. Asset disposals amounting to £1.95m (£1.46m) were taken

below the line. Earnings per share improved to 4.04p (1.26p) and a proposed final dividend of 2.25p brings

## Southend Property shows 56% advance

the total to 3.75p (3.125p).

Southend Property Holdings yesterday announced profits before tax ahead by 56 per cent, from £2.38m to £3.71m, in the year to end-March.

The result was struck on turnover down from £82.8m to £81.1m, although rental income grew from £16.6m to £19.1m. Comparative figures have been restated to reflect a provision of £743,000 against the amount due from the employee share ownership plan trust, which directors believe should have been made in 1991.

Substantial cash resources had been accumulated over the year, the company said: Some £14,2m was raised from the share issue in connection with the failed offer for Frogmore Estates - the Frogmore shares acquired were subsequently sold at an overall profit.
In addition property sales

raised £12.7m and the sale of

Hamlet International raised

THE TWO month-old battle for

control of Pacific Horizon

took a new turn when its direc-

tors despatched a circular to shareholders offering new pro-

posals for its future and notify-

ing them of two rival extraordi-

The circular calls on them to

vote against proposals from Jupiter Tyndail Merlin, the

fund management group which

manages Pacific Horizon, to

nary meetings next month.

Investment Trust yesterday:

A recommended final of 2.73p makes an improved total of 4.18p (3.8p). Earnings declined

# Hemingway Props

Hemingway Properties reported a sharp reduction in losses in the six months to June 30. Turnover rose from 21.79m to 23.04m.

The pre-tax deficit was cut from £2.15m to £332,900 and per-share the outcome was reduced to a 0.61p loss, against 4.33p previously.

Last August new manage-ment was installed at the company, formerly Marylebone Estates, under a reverse take-

## **BWD Securities** falls to £1.22m

Securities, USM-quoted financial services group, reported a 10 per cent fall in pre-tax profits, from £1.36m to £1.22m, in the six months to May 31.

Turnover rose to 25.7m (25.2m) but administrative expenses increased and operating profits declined to £903,000 (£1.03m). Interest receivable was £320,000 (£333,000).

The interim dividend is maintained at 1.3p. payable from earnings of 4.5p (5.2p).

## Refuge reports buoyant sales

Refuge Group yesterday reported buoyant first-half sales within its assurance marketing group, where regular premiums rose 12 per cent from £16m to £17.9m, while single premiums increased 35 per cent from £19.6m to £26.5m. Unit trust sales also rose by 2.7

At Canterbury Life Assurance, a transaction carried out to accommodate its capital needs for the next two years

exceptional net gain of £4.9m. An exceptional provision of £5.6m had been made in con-nection with the decision to scale down the operations of RLJ Finance, the personal

## loans subsidiary, which had continued to trade at a loss. AB Consultants

dives to £41,000 Profits before tax of Associated British Consultants, which provides engineering consultancy services to the construction and engineering industries. fell

from £1.14m to £41,000 for the year ended April 30. The final dividend is halved to 2.1p making a 4.3p (6.4p) total. Earnings emerged at 0.3p (9.50).

Net turnover rose slightly to 211.1m (£10.8m) reflecting the acquisition of the Brian Ford

# Partnership. MBO at Continuous

Stationery proceeds Mr William Eastwood, chairman of Continuous Stationery, the printing group, told the annual meeting that backers had agreed in principle to fund the management buy-out offer at 40p a share.

Since the announcement in February of the plan, a number of other approaches had been

These parties had been given all the help they needed, he said, but no offers had been forthcoming and the company had therefore progressed with the management buy-out team. The company expected to make a further announcement within the next few weeks.

## Marginal deficit at revamped SW Wood

in a year which marked a transition from metal trading into printing and packaging, SW Wood suffered a marginal loss of £15,000 pre-tax in the 12 months to March 31

The group, however, expects to return to significant profits this year. Consequently the single dividend is lifted to 0.25p

In June, Jupiter Tyndail blocked an agreed bid for

Pacific Horizon by Martin Cur-

rie Pacific and requisitioned an

EGM to appoint new directors

down a request from the board

to withdraw its requisition

until after it had published

other requisitioned by Jupiter

Tyndail are both scheduled for

Jupiter Tyndall later turned

and restructure the trust.

details of a new offer. The two EGMs, one convened by the board and the

August 18.

(0.1p).
The acquisition last August of Proofed Packings will take the group on its new course via a new subsidiary, Riverside Packaging Printers. In addition Grange Group, a printer of magazines and journals, was purchased in February via a

placing and open offer. Acquisitions contributed 22.34m to turnover of 25.03m, which also included 23.69m from discontinued operations. Gross profit rose to £1.03m (£685,000). But operating expenses took £1.25m (£1.04m),

## Holders Tech edges ahead to £198,000

Holders Technology, the USM-quoted importer and distributor of equipment for the electronic engineering industry, lifted profits to £198,000 for the half-year to May 31. The increase from the previ-

ous £181,000 was achieved on turnover of £1.65m (£1.53m). The interim dividend is maintained at 2p, payable from sarnings of 4.23p (3.84p).

## AIB's US arm tops \$44m at midway

First Maryland Bancorp; the US subsidiary of Allied Irish Banks, made profits of \$24.3m (£12.7m) in the second quarter of the year, up from \$20m at the same stage of 1991. Profits for the first half amounted to \$44.3m (\$30.4m). The return on average assets

return on average equity was 14.2 per cent. Provisions against possible loan losses were said to have fallen since last year while net interest income and fee-based

was 1 per cent, while the

revenues were up. Mr Gerald Scanlan, AIB deputy chairman and chief executive, said the bank had a total capital ratio of 13.23 per cent and a high liquidity.

## AND IN THE FUTURE. DIVIDENDS ANNOUNCED payment YOST AB Consultants ... Oct 12 5 1,6 1,3 1,2‡ 8.5 2.7 Oct 3 Aug 28 Sept 4 Aug 28 Nov 23 City of Oxford ,... Eve § . GARDNER MERCHANT Holders Tech 6

PUBLIC WORKS LOAN BOARD RATES Total year Ouola loans 5.5 2.7 3 4.9 10.5 1.25 4.02 9.2 6 7.3 3.125 Over 1 up to 2 Over 2 up to 3 Over 3 up to 4 Over 4 up to 5 Over 8 up to 9 1.875 2.48 11.5 3.75 4.18 3.8 13.5 0.25

# PHARMACEUTICALS

Pricing: Japanese focus on new drugs and more research ..... Page 3

Thursday July 23 1992

Drugs companies are concerned that they could be forced to negotiate not only the traditional hurdles of safety, quality and efficacy, but a new one - that of cost-benefit. Paul Abrahams reports

# Shake-up is on the way

PHARMACEUTICAL years, the proportion of healthcompanies have withstood the recession as though charmed. Apparently inoculated against the slowdown in the world. economy, the sector has offered conspicuously impressive earnings growth.

But parts of the pharmaceuthe prognosis for some groups is gloomy. Income growth looks set to slow while costs continue to escalate. Faced with the danger of falling returns, the sector looks set for significant restructuring, with the strong becoming stronger and the weak driven into mergers or even forced to exit.

The main driving force behind the coming shake-up is increasing state interference with drug prices. Governments everywhere are trying to control rapidly expanding healthcare budgets. Ageing popula-tions and the growing cost of health technology have led to an alarming increase in healthcare expenditure.

In the US, spending on health increased between 1960 and 1991 from 5.5 per cent of GNP to 12 per cent, according to Mr Peter Lauper, head of pharma-economics at Ciba-Geigy, the Swiss group. He estimates the figure will reach 15 per cent by the end of the

For governments, the agony has been compounded because has fallen disproportionately on the state. Over the past 20 care spending paid for by the 'US federal and state authori-

to 41 per cent. Governments, scared by such figures but politically shy of tackling expenditure on hospitals and doctors, see drugs

ties has risen from 22 per cent

target for cost savings.

Most governments have attempted to achieve savings through aggressive pharmaceuticals price controls. The pace of such interference is accelerating Last month, the German government extended its reference pricing system, setting limits for the reimbursement of certain drugs. Patients pay the balance. In Japan, the Finance Ministry launched the latest in

a series of price cuts last April. In the US, political pressure from politicians has drawn blood Last month, Mr Gerald Mossinghoff, president of the US Pharmaceutical Manufacturers Association, said drugs companies supplying a third of the US market had promised voluntarily to keep price increases at or below the rate

As price controls start to bite, so growth in the world pharmaceuticals market will decelerate. Wellcome, the British group, estimates that between 1985 and 1990, the world drugs market increased on average by 13 per cent a year. For the five years after 1995 that figure could fall to only 5 per cent, it believes.

Others believe the figure could

be about 9 per cent.
The other force driving change is the rapidly rising cost of research and development. The industry spends about \$26bn at present. In the US. R&D expenditure was \$11bn in 1992, up from \$9.6bn in 1991 and about \$600m in 1970. Dr Armin Kessler, president of the European Federation of Pharmaceutical Industhat even the existing level of

expenditure is unsustainable.

It is in this context of rising costs and slowing growth that pharmaceuticals groups and the drugs divisions of almost all the big chemicals companies are trying to expand. But the industry cannot accommodate them all, warns Mr David Alcraft, director of healthcare and pharmaceuticals at PA Consulting Group.

Competition is increasing. In

the UK, for example, there were 28 per cent more drugs on the market in 1990 than in 1980, according to Mr Martyn Postle, a consultant at Coopers

With slowing revenue growth and increasing costs. the industry's return on capital is bound to fall, warns Mr Postle. He argues the sector is on the threshold of a signifi-cant shakeout. In 1989, half of world sales were in the hands of 25 companies. He believes that by the end of the decade that figure will be 15.

The impact of the slowdown will fall unevenly. Those companies that have previously been able to offset a lack of new products by increasing prices will prove most vulnera-hie. Analysts believe US com-panies such as Warner Lam-bert and Upjohn have been highly dependent on price increases for revenue growth.

Those that survive must be doubly strong. First they must create innovative products that can command premium prices. Then they must have the necessary marketing networks to exploit them fully. Creating such innovative

products is far from easy. Discovering new chemical entities is fairly simple. The difficult part is identifying which ones are likely to provide competi-

tive advantage through greater

safety or efficacy.

Mr Lauper at Ciba-Geigy explains: "The essential component is quality of spend. You have to learn to manage the pipeline, accelerating development of selected compounds so you can reach the market more quickly, while at the same time remaining ethical - in other words not cutting corners."

In the battle to demonstrate the extent to which a drug is innovative, pharmaceuticals groups are adding a new weapon to their armoury: health economics. In order to guarantee premium prices for innovative products, the drugs groups are looking to demon-strate the cost-benefit of new

"Previously you just had to demonstrate the drug's quality, efficacy and safety. Now you

tive," says Mr Lauper.
The industry, for the most part, welcomes the opportunity. Some benefits are easily demonstrated Smithkline Beecham's Tagamet and Glazo's Zantac both allow stomach ulcers to be treated at home rather than using expensive, potentially dangerous, surgery.

However, there is concern that drugs companies could be forced to negotiate not only the traditional hurdles of safety, quality and efficacy, but a new fourth - that of cost-benefit. The danger is that regulatory authorities, currently only concerned with the safety, quality and efficiency of drugs, will in future only licence medicines that also demonstrate they can

ave costs elsewhere. Meanwhile, marketing will continue to be vital. Drugs

groups will need access to worldwide marketing forces so they can maximise sales during the short period when the drug's patents remain valid, says Mr Postle.

Several groups have been been able to increase their revenues significantly by setting up joint-marketing agreements. Wellcome, for example, has agreements to market Zovirax. its anti-viral medicine, with Hoechst in Germany, Sigma Tau in Italy and Sumitomo in

Japan. Some small companies should be able to survive by creating niches, either in research, using new technologies, or in marketing in specific therapeutic or geographi-cal areas, says Mr Alcraft.

The main losers will be those caught in the middle, he warns. Without sufficient critical mass in research and development, they will have few compounds and little experience in negotiating the neces

sary regulatory hurdles. In addition, they will have increasing difficulty attracting good researchers.

Mr Alcraft explains: "The problem for the medium-sized players is that emotionally it is difficult to admit you aren't going to be the next giant. The option of being a niche opera-tor is open, but it's a tricky decision to make."

One solution for smaller organisations is to set up joint ventures to share the costs of marketing and to increase revenues that will offset massive expenditure on research and

Otherwise, one option for such groups is to merge. The main synergies appear to be that marketing reach is extended and that cost-savings are achieved by rationalising

headquarters costs.

The pace of change is likely to prove variable. Many pharmaceuticals companies are parts of larger chemicals

in the short term, most main boards will be unwilling to give up their high-performing pharmaceuticals divisions. But in the long term, pharmaceuticals groups must gain

critical mass, find niche areas of specialisation or wither.

Clive Cookson on R&D

# The challenge: speed invention and curb costs

laboratories come in many all is the £500m research rentre now under construction for Glaxo in Stevenage, 30 miles north of London.

The Glaxo labs - said to be largest building project in the UK after the Channel Tunnel will house 1,400 researchers when they open in 1994.

Having so many scientists working together on one site gives them all access to the best possible range of expensive up-to-date equipment. There is a danger, however, that bureaucracy will smother the imaginative approach that is essential for developing innovative drugs. Glaxo will try to overcome this by clever research management, to make the scientists feel they are working in small units.

The opposite school of thought - that research flourishes best in genuinely small groups - is illustrated by Scotia Pharmaceuticals, an emerging UK company which specialises in drugs based on

ssential fatty acids. Scotia has no more than 170 employees altogether. Yet it carries out research and devel-opment on six widely separated sites: at Callanish on the Isle of Lewis in the Outer Hebrides, Dundee on the east coast of Scotland, Carlisie in north-west England, Writtle in

Essex, Guildford in Surrey and Nova Scotia in Canada. Dr Iain Law who is in charge of R&D at Calianish - surely the most remote pharmaceutical laboratory in Europe - says he keeps in good touch with the other

PHARMACEUTICAL Scotia R&D managers and circulated around the company. All pharmaceutical labs, whatever their size and location, face a common challenge: how to restrain the soaring costs of R&D and at the same time speed up the discovery

and development of new drugs. According to data collected by the Centre for Medicines Research in the UK, worldwide spending on pharmaceutical of 16 per cent a year during the 1980s. The global total reached \$24bn in 1990; 15 per cent of pharmaceutical sales. Almost half of the industry's R&D expenditure is in Europe. 36 per cent in the US and 15

per cent in Japan. Unfortunately the rapid rise in R&D spending has not produced a corresponding increase in the flow of new drugs onto the market. The number of medicines launched during the early 1980s averaged about 60 per year. During the three years 1989-91 it was close to 40 a year. The number of new drugs originating in Europe has fallen over the decade from 30-40 a year to

10-20 a year.)
The total time taken to develop each new drug has increased steadily since the 1960s. The clinical phase - testing the drug on human patients - doubled during the 1980s to reach an average of seven years. Trials are taking longer because regulatory authorities are requiring more and more clinical data, while doctors and their patients are becoming more reluctant to take part. Companies are havfacilities through visits from colleagues and through the weekly notes written by all ing to spend more time and

Continued on Page 2

# Yuri first. Nobody second.

EVERYONE knows the name of the first man in space. The history of discovery is a history of famous firsts.

Second is next to last.

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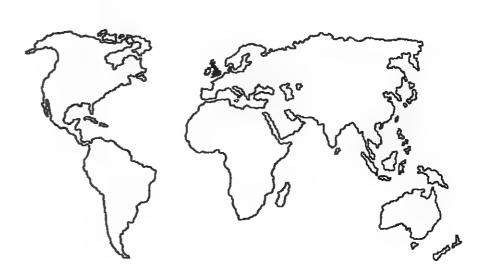
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# Those countries trailing Britain in pharmaceutical research are shown in pink.



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# Challenge is to curb costs, speed invention

Continued from Page 1

money to recruit the hundreds or even thousands of people they require to test each drug.

The industry is responding in two main ways: lobbying the authorities to reduce the regulatory burden, and operating its R&D effort more efficiently.

One way to ease the regulatory burden is to harmonise requirements around the world, so that companies do not have to repeat tests unnecessarily to satisfy authorities in different countries. This is already happening within Europe through the EC. On a global level, the first

international conference on harmonisation in Brussels last November was an important step toward bringing the US. Japan and Europe into line. It was agreed then, for example, that routine 12-month toxicity tests on animals should be abandoned in favour of sixmonth studies.

But much more needs to be done, particularly to harmonise clinical requirements. Complete standardisation is unattainable because medical practice and social conditions vary so much around the world. The ultimate objective is to retain only those differences that can be justified by rational criteria.

At the same time companies are trying to improve the productivity of their researchers, particularly in the pre-clinical phase which they can control more closely than clinical trials. They are investing heavily in new technology - ranging from computerised chemical databases to molecular modelling graphics and automatic gene sequencing machines - to help the scientists select and adapt compounds more rapidly for drug development.

Besides introducing new technology, the industry is changing the way it manages R&D. A good UK example is ICI Pharmaceuticals. "We have redesigned our approach to get the fastest possible answer to the question: Does the drug behave in humans in the way we would predict from our laboratory models?" says Dr Tom McKillop, technical

ICI is now consistently achleving its target of administering candidate drugs to human volunteers within 14 months of their first synthesis - a great improvement on the company's previous average performance of 30 months. At the same time. ICI is being much more ruthless in abandoning compounds that do not live up to their initial promise. Dr McKillop says the new regime is quite different to ICI's traditional approach which "assumed that every drug was going to succeed."



Research and development: companies are trying to improve the productivity of their researchers. It was ever the case: Marie and Pierre Curie, portrayed by Greer Gerson and Walter Pidgeon in Metro-Goldwyn-Mayer's film from the 1940s

Alan Archer assesses threats to profitability

# **Emphasis shifts to elderly**

industry has been undergoing a restruct-uring phase brought about by the recession, the pharmaceuticals industry worldwide inot accounting for the former communist bloc for which reliable sources are not yet available) has been putting forward its defensive qualities and has lived up to its description: "almost reces-

Industry executives are asking themselves, with increasing nervousness, how much longer the good times can last. Drug sales are hardly affected by the ups and downs of the economy, but how long can the drug companies continue to announce earnings growth of 15 per cent per year?

According to Mr Sam Isaly, of Mehta
and Isaly, New York, the world market grew 10 per cent with total sales of \$165bn in 1991. The industry's annual growth rate has slowed a little over recent years but

the world economy as a whole. The past few decades have proved to be a golden era for the pharmaceutical industry but despite the rise in sales the industry is still in a transition period highlighted by the amount of consolidation taking place in the past few years.

continues to exceed the rate of growth of

On the positive front, many in the industry feel that the underlying demand for innovative drugs to meet and satisfy medical needs will be boosted by the shift of focus towards the elderly. This is a continuing campaign run by the UK pharmaceutical industry, according to Mr Ben Hayes, spokesman for the Association of the British Pharmaceutical Industry (ABPI). The impact on pharmaceuticals demand will be considerable.

Using the UK as an example, drug expenditure per head in the over-65 age group is four times the level of the rest of the population. Companies which will benefit most from the changing demographic pattern will be those that provide for the chronic diseases of old age; arthritis, coronary disease, hypertension and central nervous system-related illness.

Many companies are investing heavily in this latter area, particularly in research into Alzheimer's and Parkinson's disease. The company which comes out first with a product that treats these aliments would be guaranteed spectacular sales, as Wellcome has had with its Aids treatment,

Retrovir (Zidovudine). Another important issue is that of demographic changes and their impact on demand. The world population is growing

AT a time when most of the world's rapidly - by some 17 per cent a year with the poorest countries growing the fastest. The less-developed regions of the world account for 76 per cent of the population and at present less than 15 per cent of pharmaceutical consumption. But many industry observers believe that this will rapidly change over the next two decades.

It is thought that this demand will be satisfied by the launch of new products resulting from new technology such as molecular biology which is now producing a large quantity of new drug products based on the rational drug design.

On the negative side, there are many cries from the industry forecasting reduced profitability in the next decade. There are several forces affecting this prof-

 Pricing pressures from governments worldwide and also private buying organisations. Drugs are a tempting target for

Only companies with a clear strategy on what areas they want to compete in will succeed

governments wishing to restrain soaring healthcare costs, although they represent only about 10 per cent of health spending and can save money if used sensibly.

• The increasing trend in generic prescribing and generic substitution means that products will lose their market share rapidly after patent expiry. This will be further highlighted by the fact that tried and tested branded products such as Tagament, Capoten and Tenormin will be included in the new generics being offered in the near future.

• Increasing regulatory requirements are delaying product launches and causing an erosion of patent life. In many countries, regulatory departments have a backlog of filings awaiting review.

• Escalating research and development costs. According to the US Pharmaceutical Manufacturers Association, the most recent estimate of cost involved in developing a new drug bas risen from \$125m in 1987 to \$245m in 1991.

For several years, many drug companies had no clear policy on what therapeutic product groups and geographical areas they wanted to trade in, taking a some-what haphazard approach. But the current consolidation process has changed all that. Pressure is building and only companies with a clear strategy on what areas they

want to compete in will be successful. "Most companies have decided where they want to be by the year 2000," says Mr Robin Gilbert, analyst at James Capel. "Certainly Merck and Glaxo have clearly defined their role, but others like Uplohn. Warner-Lambert, Pfizer and Syntex are

not completely clear what their position

The 1990s have brought about the need for a much greater awareness of the drugs available and the world's drug market. GPs now have a much better choice of medications for prescribing and are increasingly using computer data bases, not only for information sourcing but also the ordering of pharmaceuticals.

• The greater concern taken by the general public (action and lobby groups) and media to investigate wherever possible the cost benefits and safety of the drugs they are prescribed.

 An increasing collaboration world-wide by regulatory bodies. The globalisation of industry in the 1990s will be assisted by the standardisation of regulatory approval procedures for new drugs. As European regulations are unified after 1992, they will dually come together with those of the US Food and Drug Administration (FDA).

The use by the FDA of European data for the investigation of Glaxo's filing of its new migraine drug, Imigran (sumatriptan), is a very good example. Launched in the UK in October 1991, the drug has been fast-tracked in the US and approval by the FDA may be imminent.

• The growing knowledge by competing companies of each other's R&D programmes and general strategies, Professor Horst Meyer, head of Bayer Pharmaceuticals thinks further concentration of the world's pharmaceutical industry is inevitable. The need for substantial investment in research and development required to discover "block-buster" drugs with sales of more than \$500m a year was beyond the means of all but the largest companies.

Prof Meyer said the top 10 companies were spending 35 per cent of all money dedicated to pharmaceutical R&D and the proportion was likely to increase. In addition, smaller companies were

handicapped by their inability to market drugs in the three largest markets - the US, Europe and Japan. The top pharmaceutical groups were able to recover their ever-larger investments by selling the drugs in all three areas, added Prof Meyer. The author is the editor of Financial Times Pharmaceutical Business News.

Peter O'Donnell on the EC single market

# Ideals or eyewash?

IDEALISTIC rhetoric about the completion of the internal market for pharmaceuticals does not seduce the European Court of Justice.

Only a few weeks ago it overruled the pleas of the EC Commission - and set aside more than 25 years of Community harmonisation - by ruling that "It is up to the national authorities... to decide whether each product is a medicine or not". By one of those ironies that occasionally enliven EC wrangles, the product in question was an eye-

The case is another demonstration that despite impressive progress - particularly in harmonised requirements on besting, production and product information, and in increased patent protection - there are still important gaps in the single market programme for pharmaceuticals.

The priorities now, the Commission admits internally, are the creation of "a better European authorisation system" and action "in the areas of pricing and social security coverage of medicines".

Medicine manufacturers agree: the Association of the British Pharmaceutical Industry says its members' prosper ity and research capacity depend on getting European agreements on a new authorisation system and on "an appropriate means of ensuring a fair price is paid for innovative

Last month, a marketing authorisation solution came closer, with a political agree-ment among the member states to set up a new Euro-pean Medicines Agency which will make binding European decisions. One of the most significant remaining impediments to free circulation could disappear as from 1994.

But on pricing and reim-bursement, the outlook is more confused - largely because of the distinct objectives of each of the different players. Member states focus mainly on their health budget, within which the drug bill is merely one element in a complex national balance of many political factors. The research based industry wants free market conditions that, it says, will allow it to compete with its US and Japanese rivals; intervention of all types is denounced as "leading inevitably to market distortions" by Mr Alberto Alcotti, Menurini's chief executive officer.

Generic medicine manufacturers, stung by patent term extension, are calling for "compensatory measures to ensure a significant presence of generic medicines on the European market. European consumer representatives such as Mr Luc Joossens complain that EC legislation on pharmaceuticals has already excessively favoured the industry (he. terms the recent patent term extension measure "a catastrophe"), while on consumers' long-standing criticisms of companies' pricing policies, he resolved".

When the Commission rolls out its pricing proposals this autumn, it will probably stop well short of interventionism now out of fashion in subsidiarity-sensitive Brussels. It is likely, instead, to update the existing EC "transparency" requirements which are signed to prevent abuses by making member states come clean on the mechanisms they use to control prices, profits and reimbursement - but which leave the industry with much of the onus for policing.

Most industry voices favour

such a "hands-off" approach, on the basis that the wrong sort of EC pressure for convergence could make things worse everywhere in the Community and flatten revenues overall. But the approach still carries risks for industry: the EC Commission's non-interven-tionism was loudly acclaimed by the German drug industry on a ceremonial visit to the European Parliament's June plenary session in Strasbourg.

Each operator will have to develop his strengths to maximise his single market benefits

Only days later, the German government announced its decision to impose severe cuts on pharmaceutical spending as from the beginning of the year. In any event, the internal market for pharmaceuticals is not going to introduce predestination to pharmaceutical provision; the Commission is giving greater emphasis to the market in its public pronouncements. The continuing diversity of national health care systems and habits will put a premium on initiative, adaptability and resilience, says Mr Igor Landau, who heads France's biggest drug com-pany, Rhône-Poulenc Santé:

"Better prices for new products can be won, even in traditionally lower-priced countries", he says, "But firms will have to keep up the pressure with demonstrations of product cost-effectiveness

Each operator will have to develop his own strengths to maximise his single market benefits: Glazo says it "derives some general advantage from being established in virtually every EC member State". Mr Didier Wold, a Paris-

consultant to the industry, predicts that the European pharmaceutical market will still be a maze after 1998 and that finding the right paths through it is going to become more important than ever.

The US drug industry association has had an office in Brussels for three years now and Mr Michael Calingaert, its European director, believes American companies have the advantage that they are already "comfortable in a single market context".

Even mainline wholesalers, catalysed by the prospects for

says: "Nothing has been the single market, are now internationalising; their objective is to become "big enough to drive better bargains than in the past with multinational manufacturers", warns Mr Mike Watts of the British Association of Pharmaceutical Wholesalers. And the non-prescription medicines sector sees new opportunities from what it calls the validation of its products by single market rules on advertising, product category and information, according to Dr Hubertus Kranz of AESGP. Parallel importers too, flourishing in their new respectability among economy conscious governments, are looking forward to sustained growth and continued official support - despite the outrage of manufacturers such as Mr. David Godfrey of Wellcome. who observes that "there could not be a market situation more distorted than this" and that

> not countenance it", He says that parallel imported products account for about one in five of all branded NHS prescriptions dispensed by retail pharmacists - up to a third in the past year - and: "The winner is the trader who can best exploit the system by shopping in the member state with the most repressive pric-

the EC Commission "should

ing system". Mr Paul de Souter, chairman of the Belgian drug industry association, AGIM, says gloom ily that if the single market brings increased parallel importing, tougher wholesaling deals and generic substitution: This could prove to be too high a price for some small additional patent protection and a possible drug registration agency".

The EC Commission's Mr Fernand Sauer, one of the chief architects of EC drug regulation, dismisses industry concerns over parallel importing as "a problem of the past". He says that it amounts to no more than 2 per cent of the total EC medicines market. and "companies have already

learnt how to deal with it". Instead. Mr Sauer emphasises the opportunities he sees for companies to build their future: free circulation will allow companies to rationalise their EC operations; harmonisation of drug testing requirements will permit reduced development costs: increased transparency will disclose abusive member state practices on pricing and reimbursement.

each player to decide whether and how to use the opportunities. "There is certainly going to be a single market", he says, "and there will be firms and subsectors that benefit from it. But at the same time, those who get it wrong could be vic-

The internal market will be more successful for Europe as a whole if it is free from eyewash, but it is certain that clarity of vision will be a vital determinant of each player's ability to see its own ideals



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## PHARMACEUTICALS 3

Emiko Terazono reports on Japan's drugs industry

# Companies focus on new drugs and more research

international expansion by Japan's pharmaceutical industry - following their counterparts in the vehicle and electronics industries - have been calmed by slower-than-expected results by the overseas operations of the drugs groups.

ash

However, the Japanese pharmaceuticals industry is at a turning point, as companies are shifting focus towards production of new and effective drugs and boosting research and development. ..

Compared to their western counterparts, Japanese drugs companies have operated on a smaller scale, focusing on the domestic market, the secondlargest in the world with annual sales of Y6,000bn. The companies traditionally relied on small-step innovations of existing drugs, mainly lower-

value antibiotics and vitamins. However, a decline in profitability of domestic operations. brought about by recent reforms by the Ministry of Health and Welfare, has forced companies to shift emphasis on R&D in order to create worldbeating innovatory products.

Until recently, Japanese drug companies have been complacent about R&D because of the government's drug-pricing policy, where all new drugs were awarded pre-mium prices whether or not they were dramatic improve-

Companies, lacking the incentive to develop innovative drugs chose only to make

Profits at companies lacking new products have been squeezed by the government's official price cuts

small changes to existing drugs rather than spend big sums on product development Companies also relied on profit margins from the distribution of drugs supplied by foreign companies under licence for the Japanese market.

The push by the government for new and effective drugs has been prompted by a change in pricing rules. From this fiscal year, the only druge to be allowed premium prices will be

concept, are more effective than existing drugs and which make a noticeable contribution to treatment.

Profits at companies lacking new products have been squeezed by the government's official price cuts implemented every two years from 1981 and averaging from 10 to 15 per cent. The cuts are applying pressure on companies to produce new drugs because the impact on the profit margins of new drugs is less severe.

In addition, foreign drug companies have started to ter-minate distribution tie-ups as they establish their own net-works in Japan, reducing commissions for the former Japanese partners.

As companies increase R&D and capital investment spending, the need to establish a worldwide presence in order to recoup costs has increased sharply. Japanese companies also say that market share in Japan has hit a ceiling. "Profits have reached upward limits," says Fujisawa Pharmaceutical, Japan's third-largest with sales of Y227bn.

hled during the past 10 years while net sales increased by only 50 per cent during the same period.

The percentage of R&D expenses to net sales rose to 11.1 per cent in the last fiscal year from 7.2 per cent in fiscal

Because a typical drug takes 10 years and Y10bn to develop, only those companies large enough to absorb costs will be able to survive in the long run. "Companies without strong R&D pipelines and new innovative products will drift side-

ways," says Mr John Wilson,

analyst at James Capel in Tokyo. Yamanouchi Pharmaceutical, one of the most aggressive in international expansion, admits that it will take another 10 years before the company becomes truly global.

Fujisawa is also increasing production and marketing capacity in the US and Europe ahead of the launch of FK-506. an immune system suppressor used to prevent transplant patients rejecting new organs. Japanese drugs makers are



Rush hour at Shibuya Station, Tokyo: The Japanese market holds substantial potential for further growth as the population

currently boosting efforts to build comprehensive and independent operations in R&D, production and marketing. However, compared with the large-scale mergers and acqui-

sitions in the US and Europe, the purchases and joint ventures have been modest in size. Mr Thomas Hofstaetter, executive managing director at

Hoechst Japan, says there is a lack of candidates for acquisitions by Japanese companies. The targets are often expen-

Marjorie Shaffer examines developments in the US

he explains. Meanwhile, the sharp decline in asset values in Japan, bought on by the slump in the

stock and property markets, have made small and mediumsized Japanese drugs companies ideal targets for global pharmaceutical groups looking to expand in Japan.

The country's market holds substantial potential for further growth as the population ages rapidly and consumers

become increasingly bealthconscious. Corporate financiers point out that the smaller companies, unable to survive through the industry's consolidation due to the lack of financial and R&D resources, are receptive to cross-border mergers and acquisitions.

Pfizer, the US drugs and chemicals group, announced plans to buy Koshin Medical, a privately-owned medical equipment distributor earlier this year. Last year, Monsanto of

the US acquired 12 per cent of Hokuriku Pharmaceuticals for Y14.5bn.

Mergers and acquisitions among Japanese companies, including rescues of smaller companies, are also expected to increase. But Mr John Wilson at James Capel predicts that alliances between industry leaders to create larger pharmaceuticals groups would be unlikely due to lingering negative attitudes towards M&A among Japanese companies.

THE US pharmaceutical industry prospered mightily in the go-go years of the 1980s. Profit margins widened and revenue growth marched steadily and

reliably upwards. But no one expects a repeat performance in the 1990s amid continuing pressure from Washington, patient advocacy groups and insurance companies to slow.

the rise in prescription drug prices. Over the past decade, the industry. habitually raised the price of prescription drugs in the US at least twice or three times the rate of inflation. The steep price increases contributed to belty double-digit

profit gains of 17-20 per cent. But because of the pressure to limit price increases, most analysts agree that annual profit gains will slow to 13-15 per cent by 1995. Some analysts even predict that overall industry earnings growth could dip below 10 per cent.

Whatever the numbers eventually turn out to be, heavy criticism of US prescription drugs is forcing the industry to act with more restraint. Pharmaceutical giant Merck said last year it would not raise prices more than the rate of inflation and other companies, including Pfizer and mazoo, Michigan, that many analysts say

Prices continue to be a big issue Bristol-Myers Squibb, have followed suit. "I think there is less pricing flexibility than in the past," said a spokesman for Warner-Lambert, a New Jersey-based drug company which has announced that its price increases will be "reasonable".

The pressure to stem the rise in drug prices is apparently taking a toll already in some areas. Earlier this year, drug companies reported below par first-quarter results, leading to a sell-off on Wall Street. The first quarter is when the industry usually puts through its annual price raises. This year, price increases were halved to 5-6 per cent from the 10-12 per cent typical of the past five years. Analysts say continuing pricing con-straints will burt companies without

strong product pipelines. Upjohn, a drugs company based in Kale-

pipeline, has announced that it expects its second-quarter net income to be flat. It said it was offering voluntary retirement to about 10 per cent of its workforce to

Bristol-Meyers Squibb surprised Wall Street last month when it released a disappointing second-quarter earnings fore-

While price increases have apparently moderated, Americans still pay some of the highest prices in the world for prescription drugs. In most other countries, prices are subsidised by governments that negotiate with drugs companies, but drugs companies in the US have long set

Elderly consumers bear the brunt of the costs, according to a study by Purdue University's Pharmacentical Economics The Purdue study estimates that the elderly account for nearly 35 per cent of retail expenditures for prescription drugs in the US.

The cost of prescription drugs can be an overwhelming burden for people on fixed incomes. Senator David Pryor, chairs the Senate Special Committee on Ageing and is a critic of prescription drug prices. Ear-lier this year the Senate defeated a bill proposed by Senator Pryor to control armaceutical prices, but he intends to keep the pressure on.

Some well-publicised prices for newer drugs underscore the issue. In May, can-cer experts criticised Johnson & Johnson for setting too high a price for the drug Levamisole to treat colon cancer. The company set the price at \$1,250 to \$1,500 for a year's supply, some 100 times higher veterinarian medicine.

Advocates for the mentally ill have attacked Swiss drug giant Sandoz for the price it has set for Clozapine, used to treat schizophrenia: \$7,500 for the drug itself plus a required weekly blood monitoring.

And even before the experimental cancer drug Taxol is out of clinical trials, advocates for breast cancer patients wonder if the price of the drug, which may eventually reach \$2,000 a gram, will sim-

ply be out of reach of most women. The pharmaceutical industry has long justified its prices by citing huge research and development costs. According to the Pharmaceutical Manufacturers Association (PMA), the industry's trade group in Washington, research costs will near \$11bn in 1992, up from \$9.6bn in 1991 and about \$600m in 1970.

The industry argues that it has to recoup its R&D costs. In the US, it spends a little over 16 cents out of each sales dollar for R&D, compared to 4.5 cents to 5 cents for all other industries, said Mr Jeff Trewhitt, PMA spokesman. "Of course in nations where there are price controls, like southern Europe, the prices are lower", said Mr Trewhitt, adding that in those countries with price controls there is little biomedical innovation.

"Between 1975 and 1989, 47 major world-class drugs originated in the US alone. This innovation has been fostered in a free-market atmosphere. Certainly, the R&D costs have to be covered", said Mr Trewhitt.

Despite the industry's protests, drug prices continue to be a big issue, according to analysts. "It will stay very difficult to increase prices three times whatever the consumer price index is," said Mr Nell Sweig, a drug analyst with Capital Insti-

intional Services. Indeed, as the US pharmaceutical industry braces itself for a colder business climate, analysts say the near future will be filled with lower growth rates and lower

Claire Wilkinson takes a look at UK marketing

# Increasingly competitive

IT takes up to 12 years and an investment of £100m-£150m to discover one new drug in the UK, but even this level of investment is no guarantee of commercial success.

Cost pressures, generic substitution and the continual demand for new and effective products are making for an increasingly competitive marketplace, so how are Britain's top pharmaceutical companies shaping up to the challenge?

According to Mr Ben Hayes, spokesman for the Association of the British Pharmaceutical Industry (ABPI), the difficulty faced by the prescription industry in marketing their products to the NHS is to show

that they are cost-effective.

The challenge of all new products coming onto the market is to be new, bigger and better, and to cost less in the long run," said Mr Hayes.

Medicines prescribed by the NHS last year cost more than E3bn, about 10 per cent of total NHS expenditure. When the Pharmaceutical Price Regulation Scheme (PPRS) is renegotiated this September, further pressure to reduce the drugs budget is expected.

Companies foresee a greater movement towards economic evaluation in the future, but how does "cost-benefit" relate to the "clinical benefit" of a particular drug?

"The clinical benefit comes first," says Mr Andrew Smith, managing director UK for SmithKline Beecham. The economic argument is a very powerful weapon if it backs clinical benefit." Nearly 80 per cent of existing

drugs will come off-patent over the next five years. How to stem the transfer of profits to generic manufacturers and get a full return on their research and development investment is a problem for drug companies. Generic competition, which lowers the price of branded products by at least 50 per

by the end of the decade. Among the short-term solutions tried is the promotion of different variations of an old product. A good example is SB's Amoxil the second most widely prescribed antibiotic in the UK, which came off-patent

formulations of the drug, from drops to capsules, to a fizz tab. tions do slow down the decline

often converting the business into a product which doesn't make much money," said Mr Smith. Under the PPRS, a prodnct which is more than five years old has to be priced per milligram to the price of the original product. "You have to charge the same price as you did 20 years ago for Amoxil," he said. "Long-term, it is not a

The industry now spends

four times as much in R&D as

£263m on R&D. Concentration

strategy or a way forward." Greater investment in R&D. leading UK drug companies claim, is a more effective solution. As Mr Colin Wight, marketing director at Rhone-Poulenc Rorer, says: "Our track record points the way ahead. In a market where generic use cent, now accounts for 48 per is increasing, our company cent of prescriptions and is expected to rise to 60 per cent should continue to develop innovative new medicines as long-term protection."

four years ago. The company now has a different series of

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a Supplementary Protection Certificate (SPC) giving it up to "Although novel formulafive years longer on a patent in the country in which it was first licensed - will balance in sales of a product, you're out some of the loss in sales to

> Another consideration for companies is whether they should start marketing medicines over-the-counter. Both SB and RPR have their own OTC arms with established products and more prescription-only medicines (POMs) to OTC switches to follow.

generics.

For example, take RPR's Ketoprofen, the number two non-steroidal anti-inflammatory in the UK with sales of £20m. The company expects it to take the product over-the-

counter within five years.
An OTC licence in the UK, Mr Wight says, would "open up a whole new field of opportunity." Switching a POM into the OTC field, companies admit, is not an easy marketing decision. As well as safety and efficacy considerations going OTC demands a radically

it did 10 years ago. This year, SB will spend £400m and RPR fferent marketing approach.
They are totally different markets with different drivers on novel products along with new patent legislation - under which a company can apply for and there is absolutely no guarantee that a highly successful product in the pharmaceutical sector is going to be highly successful in the OTC sector," said Mr Smith.

Tagamet, SB's blockbuster anti-ulcer drug, came off-patent in March. The company expects Tagamet to switch to OTC in the UK within the next year, and is realistic about its chances of success: "We're not going to take £500m worth of Tagamet business and convert it into an equivalent amount of OTC business.

Given that only one in 5,000 compounds investigated by companies reaches the marketplace, and new medicines account for 9 per cent of total sales, the UK pharmaceutical business is becoming increas

ingly risky. Switching products to OTC will lead to more consumer advertising, but companies maintain that the marketing of pharmaceuticals will never become as blatant as selling a car. As Mr Smith points out: You cannot encourage people to buy medicines because of the image, because if they don't work, they don't buy

them again." The milher is Editorial Assis tant at Financial Times Pharmaceutical Business News.



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# COMMODITIES AND AGRICULTURE

# Zinc price rises prompt call for action by LME

By Kenneth Gooding Mining Correspondent

PRESSURE FOR the London Metal Exchange executive to take action to head off technical squeezes in some of its markets increased yesterday as zinc prices rose sharply again because of impending supply tightness in October.

Traders suggest there are also signs that a squeeze is looming in the LME's "flagship" copper contract for the fourth quarter of this year and

The lead contract might be the next to be subjected to a squeeze, warned Mr Ted Arnold, metals specialist at Merrill Lynch, the financial services group, yesterday. He said: "We would warn hedgers about actually shorting lead (selling metal they do not own in the expectation of buying later at a lower price) in the coming weeks. This market could take off as zinc did."

Zinc for delivery in three months closed on the LME last night up \$32 a tonne at \$1,376.50 while zinc for immediate delivery ended \$40 up at \$1,362.50. Prices have risen by 9.5 per cent since July 16 when the LME removed limitations

squeeze in June.

Six to eight zinc producers accounting for about 1m tonnes of annual output and a big trader seem to be involved. Producers would prefer to keep the LME zinc price - which is a reference point for contracts signed all over the world above their break-even level of \$1.300 a tonne. To do this they have built up a big long position (bought metal today for future delivery) for delivery in

Those involved say they are not colluding but each came to a similar conclusion when the price languished last year at \$1,000 a tonne. One of the participants explained to Reuter yesterday that they had built up long positions for delivery in June this year and, when the LME intervened, these were simply rolled over into October.

Some consumers complain they are being forced to pay artificially high prices for zinc at a time when LME stocks are at record levels.

However, Mr Nick Moore. analyst at Ord Minnett. pointed out, the zinc price was being underpinned by good

# Venezuelan oil capacity set to rise 16% by 1996

By Joe Mann in Caracas

VENEZUELA is aiming to increase its crude oil production capacity to 3.3m. barrels a day by 1996, compared with 2.83m b/d at the end of 1991, a rise of 16 per cent.

Mr Gustavo Roosen, president of the national oil corporation PDVSA, said in Caracas that the higher potential should be reached despite cuts in capital investment. It should enable PDVSA to more or less aliminate dependence on other suppliers for its US refining and marketing operations. Mr Roosen also forecast

"abundant crude production" worldwide next year predicting that international crude prices would "remain constant, or slightly lower, than in 1992 in

PDVSA is reducing its capltal investments this year by US\$530m. to \$4.56n.

To meet its substantial market commitment in the US the company, which has a large oil refining and marketing system there, currently has to buy an average of about 600,000 b/d of crude on the US market.

By steadily raising crude output capacity - and produc-

tion - over the next few years,

the company hopes to sharply

reduce its dependence on crude

Venezuela's crude oil produc-

purchases from other parties.

Average Venezuelan Crude Oil Production (million b/d, Including condensates

and natural gas liquids)

1991	2 49
1990	2.25
1989	2.02
1988	2.01
1987	1.79

tion has risen steadily in recent years. in 1991 average output of

crude, condensates and natural gas liquids was 2.49m b/d, the highest level on record since the Venezuelan oil industry was nationalised in 1976. It compared with 2.25m b/d in

Crude production averaged about 2.39m b/d for the first quarter of 1992.

# Hanson in dispute over Nevada gold deposit

By Bernard Simon in Toronto

Hanson, the Anglo-American conglomerate, has become embroiled in an escalating dispute with Placer Dome of Vancouver over ownership of the sizeable Pipeline gold deposit in north-east Nevada.

Placer this week filed the latest in a series of lawsuits between the two groups and other companies involved in exploration of the Pipeline property. Alleging that Hanson Natural Resources - a partnership which includes Hanson-controlled Gold Fields Mining - has interfered with its contractual rights, Placer has

asked the court to declare that

they have no claim against it. The suit is a response to allegations by the Hanson group that Placer failed to disclose that it had made a major gold discovery when it took up an option in August 1991 to buy the Pipeline property from Gold Fields. Placer estimated last April that the deposit has gold-bearing reserves of 11.3m tonnes, with a grade of 0.237 ounces per tonne. The gold content is estimated at 2.7m

The dispute hinges partly on conversations between officials of the various companies, but also on the extent to which a mining company is entitled to keep its exploration data confi-dential.

The Pipeline deposit abuts the existing Cortez joint ven-ture in Nevada, which is owned 60 per cent by Placer and 40 per cent by Kennecott. The disputed area, which is six miles north-west of the Cortez processing plant, is estimated to contain about 45 per cent of the total Pipeline reserves. The rest of the deposit is part of the Cortez operation.

A Placer official said that evaluation of the Pipeline deposit was proceeding "as if nothing had happened." A feasibility study is due to be compieted early next year. But Mr Rich Cohen, mining analyst at Goepel Shields in Toronto, predicted yesterday that output, which had been forecast to begin within the next 2-3 years. could be delayed if the dispute drags on through the courts.

Mr Cohen estimated that Pipeline was worth between C\$300 and C\$500m to Placer. equal to about C\$2 a share. Placer shares, which stood at Cals.63 on the Toronto stock exchange yesterday morning, dropped sharply when the Pipeline dispute first surfaced, and have continued to under perform the rest of the Canadian gold sector in recent

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Tumover 2873 (3821) lots of 10 tonnes ICCO indicator prices (SDRs per tonne). Daily price for Jul 22 732.36 (713.10) 10 day average for Jul 23 761.04 (782.71)

Close Previous High/Low

578 585 515

Previous High/Low

661 650

(2036) loss of 5 tonnes prices (US cents per pound) for daily 49.99 (49.43) 18 day average

# Coconut prices weather 'malicious propaganda'

Prices have risen sharply on the world market despite health attacks, writes William Keeling

ARLY THIS year Malaysia organised an 11-nation international cocotion international cocotion international coconut tree climbing contest in order, the organisers said, to promote the crop. The competition, won by Sri Lanka, was well-timed. Since mid-1991 world prices for most coconut products have risen over 50 per

Coconut is a remarkably versatile crop: its flesh can be desiccated and creamed, or turned into copra for animal feed; coconut oil is used in shampoos, cosmetics, cooking oils and margarines; its shell makes high quality charcoal and can be transformed into activated carbon.

Officials at the headquarters of the Asian and Pacific Coconut Community in Jakarta, whose 14-member countries account for 82 per cent of world coconut production, describe the coconut tree in almost mystic terms as "the

This stands in contrast to an allegation by soyabean produc-ers in the US that tropical oils, which are high in saturated fat, raise human cholesteroi levels and are a possible contributor to coronary heart dis-

Mr P.G. Punchihewa, executive director of the APCC, describes the charge as "entirely false" and "malicious propaganda". Indeed, the soyabean farmers' allegation arouses deep feeling in the coconut fraternity. It is "a lie of fantastic proportions," says Mr Chris Mudd, author of Cho-

such as coconut, palm, soyabean and rapeseed - are best for your health is at the centre of a battle among producers for market share. Medical research is inconclusive and continuing studies on the health-effects of fatty acids may tip the balance back in the favour of tropical

The rise in the world price of coconut products - coconut oil averaged \$337 a tonne in 1990 and is currently hovering around the \$560 mark - has come as a welcome relief to producers. The reason for the increase, however, is not a victory in the propaganda war, but a sharp fall in production in the Philippines, the world's leading coconut

in January it was estimated that 1992 Philippines produc-tion, measured in copra equiv-alent, at 1.98m tonnes but, because of an extended period of low rainfall which began last October, the figure has been revised to between 1.4m

and 1.5m tonnes. Weather problems have been exacerbated by the eruption of Mount Pinatubo and a recovery in production is not expec-ted until 1994. It may take until the second half of the decade before output returns to the 1990 level of nearly 2.5m

With the Philippines holding a quarter share of world copra exports and over 50 per cent of coconut oil exports, a rise in

world prices has resulted. This has been good news for other producers, such as Indonesia Papua New Guinea, the Solomon Islands and Vanuatu.

indonesia, with an estimated 3m coconut farmers and production of 2.3m tonnes last year, has overtaken the Philippines as the largest producer but over 80 per cent of its production stays at home. Domestic prices shadow the world market and coconut oil in Java has risen from Rupiah 718 (35 US cents) a kilogram in June last year to about Rp1,175.

tion is expected to decline mar-ginally this year to 2.25m tonnes, although rainfall has been better than forecast. The area under cultivation has risen sharply over the past 10 years from 2.5m hectares to about 3.3m hectares. Exports of coconut oil, however, have declined from a high of 206,647 tonnes in 1988 to an estimated 155,000 tonnes this year.

This has added to concerns that world demand for coconut products will outstrip supply In the medium-term.

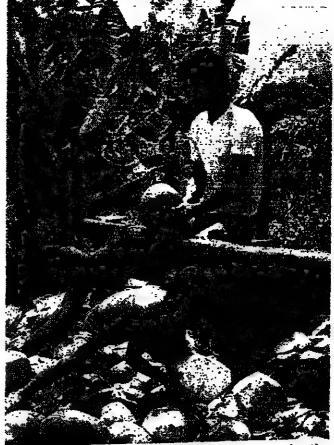
The APCC estimates that Philippines copra meal exports for January-April amounted to 141,019 tonnes, down 35 per cent on the same period last year. Indonesia's were 38,162 tonnes for January and February, a 59 per cent year-on-year

World copra meal stocks in April stood at 58,000 tonnes, compared with nearly 100,000 tonnes a year earlier. There

port but transport costs from:

Quito to Miami are relatively

high compared with the



There has been a sharp fall in production in the Philippines, the world's leading coconut exporter

coconut oil stocks held in Rot-terdam, the main trading centre, to 61,175 tonnes in mid-May from 134,575 tonnes a year

The market for coconut oil has historically been volatile. collapsing from \$1,155 per tonne in 1984 to \$297 in 1986, and if production does pick-up, traders expect prices to fall

Mr Punchihewa expects stiff competition from soyabean. rapeseed and paim oils but notes that "there is an element where it (coconut oil) cannot

devaluation has moved more

slowly then inflation and high interest rates have made credit

expensive. The number of com-

panies exporting flowers has

doubled in the last four years,

but this reflects foreign rather

now that several African coun-

tries with extremely cheap

than national investment.

has been a similar decline in be substituted" in end products. He says the industry will move toward value-added products such as fatty alcohols and giycerine, and there is substantial room for expansion simply

by cutting down wastage. APCC officials estimate that only 40 per cent of Indonesia's coconut crop is processed and of the 50bn coconuts produced in the world each year, the shells and husks of half are simply thrown away.
\*Cholesterol and Your Health

the Great American Rip Off. by Mr Chris Mudd, published by

# Roses of Ecuador bloom against the odds

Sarita Kendall on export growth in the face of Colombian predominance

ECUADOR HAS built up a small but profitable flower business in just 10 years, with annual exports now worth nearly \$20m. However, produc-tion is also rising rapidly in other central and South American countries – especially Colombia – and flowers are flooding into the US market at a time when spending has been

hit by recession.
"If Colombia goes on growing like this, it's very dangerous for the flower market - it will affect everyone, prices will le como de reactions from US flower producers," says Mr Mauricio Davalos, president of Ecuador's flower exporters' association. Ecuador has about 400 hect-

ares under flowers, less than one-tenth of area covered by Colombia's plantations. Most of the technology and much of the recent capital has been brought in by Colombians, who have found that growing condi-

Imported expertise from neighbouring Colombia has benefited the industry

(Prices supplied by Amalgamated Metal Trading)

AM Official Kerb close Open Interest

Total daily lumover 28,448 lots

Total daily turnover 23,802 lots

Total daily lumover 7,885 lots

Total deliy turnover 3,159 tots

Total daily turnover 2,943 lots

137,339 lois

26,794 lobs

25,160 lots

Soil, sunshine and the great variety of microclimates make it possible to produce a big

Roses have been particularly successful in Ecuador, while cultivation of compoms, carnations and gypsophilia is increasing. Ecuadorean labour is cheap. Most plantations lie within easy reach of Quito air-

High/Low

362/351

tions on the Equator just north of Quito are difficult to beat. according to Mr Davalos. "We have a terrible duplication of investment because the state services are so bad - we have tion and electricity generating plants, and there are water problems too," he says.

Another problem for Ecuadorean growers is the cost of importing many of the pesti-cides and fertilisers used in the

labour are competing in European flower markets and Col-The incoming government, ombia already has well-estabwhich takes over on August 10, lished links. is expected to privatise some state services, including tele-phones. There will also be Despite a 35 per cent growth in flower income during the more support for exporters under the present government

first quarter of 1992, Colombian producers have been hit by water and electricity rationing. This has curbed expansion in recent months, while antidumping measures taken by the US against Colombian carnation and chrysanthemum exporters have made them more cautious.

dor's flower exports go to the US, and another 7 per cent to Colombia's big advantages is its technical expertise in flori-Germany and Holland. But the culture - a benefit that has freight costs to Europe are spilled over into Ecuador as almost prohibitive, particularly Colombian agronomists have moved in with Colombian

# WORLD COMMODITIES PRICES

um, 89,7% purity (8 per tonne)

Previous

1318<del>-9</del> 1342-3

C5-284

Copper, Grade A (£ per ton

Lead (E por tonne)

Cash 348-9 3 monlin 358-9

Mickel (\$ per tonne

Cauli P800-30 3 months 7590-5

Tin (\$ per tonne)

Varre

E/TO/THO

## THE RALLY in COCOA prices continued yesterday and

MARKET REPORT

that began on Tuesday morning pushing the September position on the London Futures and Options Exchange to £585 a tonne, up by £15 on the day and by £30 from Tuesday's low. Dealers said the late move enlivened an otherwise extremely dull day with the market appearing to have entered a period of comparative stability after the recent run-up and retracement. They said the because of the triggering of stop-loss buying orders set by operators who had speculated

London Markets SPOT MARRETS

Crude oil (per barrel FOB)

made on the parter on		
DADAI	918 50-8 55	+9 20
Brent Blond (daled)	\$20.25-0.35	- 275
Brent Blend (Sap)	\$20 40-20 45	F 0 26
W.T i (1 pm est)	\$21.80-1.85y	+ 0.35
Oil products (NWE prompt delivery per to	toda (*IE)	- or
IMASE brombt delivery ber w	Julio (2)	- 01
Premium Gasoline	\$224-227	
Gas Oil	S183-185	+ 1
Heavy Fuel Oil	\$85-87	+1
Naphtha	\$197-1 <del>98</del>	-1
Potroloum Árgus Estimates		
Other		+ gr
Gold (per tray oz)	\$359.25	+ 1 40
Silver (per Iroy oz) 4 55	398.9c	F2.00
Platinum (per troy oc)	\$377.25	-3 65
Palladium (per troy 62)	SB7 50	-1 25
Copper (VS Producer)	119 7c	F Q.2
Lead (US Producer)	38.9c	
Tin (Kupia Lumpur marker)	15 <b>96</b> r	+ 0.43
Tin (New York)	313 Oc	
Zinc (US Prime Western)	62 Gc	
Cattle (live weight)	111 57	+243
Shoop (live weight)†	78.64o	F 3 37
Pigs (live weight)†	85 02p	-3 42*
London daily sugar (raw)	5273.0w	+02
London daily Sugar (while)		-2
Tate and Lyle export price	C252.50	. 1
late and this export buce		<u>.                                    </u>
Sarley (English feed)	¥00.0113	
Maizo (US No 3 yellow)	£150 0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug!♥	51,250	
Rubber (Sop)♥	51.250	
Rubber (KL RSS No 1 Jul)	221 Or	
Hubber (NE Haa NO 1 July		
Coconut oil (Philippines)§	\$512.51	-175
Paim Oil (Malaysian)§	\$380 Oy	
Copra (Philippines)§	\$340.0	-5
	<b>ዩ138 60</b>	
Soyabeans (US) Colton "A" Index	€138 60 65.10c	-0 10

La tonne unioss otherwise stated p-pence/kg

E a tonne uniose orderwise statout processing controlls. r-rangglithig t-Sop/Oct w-JuliAug y-Sep z-Aug . fMeat Commission average tatalock prices, change from a week ago Willion market close. m-Malaysian contarks \$\$\frac{1}{2}\$\$ Scheep prices are now live weight prices. \$\$\frac{1}{2}\$\$Correction for \$97.92

on the recent fall continuing. At the London Metal Exchange early gains were generally pared back, but all base metals finished with net gains on the day. Apart from zinc (see atory above) the strongest LME contract was TIN, which ended \$167.50 up in the cash position at \$7,047.50 a tonne. Once again atop-loss orders were instrumental in the advance, which was later halted by profit-taking. Talk of delays to Chinese shipments were also supportive. Cash COPPER ended

23 34140 243 20 242.20 246.40  24 221.90 20 46 221.00  25 221.90 20 46 221.00  25 20.90 20 46 221.00  25 20.90 20 46 221.00  25 20.90 20 46 221.00  26 20.90 20.90 20.90  26 20.90 20.90 20.90  27 20.00 20.90 20.90  27 20.00 27.90 27.90  27 27 20 27.90 27.90  27 27 20 27.90 27.90  27 27 20 27.90 27.90  27 28 10 27.90 27.90  27 28 10 27.90 27.90  27 28 10 27.90 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  27 28 10 27.90  28 29 27 408 lots of 50 tonnes  10 28 10 28 10 20 150 100  28 20 10 20 20 100  29 20 42 20 11  20 20 20 20 11  20 20 20 20 11  20 20 20 20 11  20 20 20 20 11  20 20 20 20 19  20 21 20 28 20 11  20 28 20 16  20 20 20 20 20  20 20 20 20  20 20 20 20  20 20 20 20  20 20 20 20  20 20	UQAR	Cimes		(5 per tonns)
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224 20 18 2 13 20 11 3 02 19 95 2 70 3 28 Viuna /Low 5 188.75 5 188.75 5 192.75 5 194.00 0 192.75 0 182.00 0 183.00	Aug Scp Oct Jan Apr Oct BFi Turnove GRAINS Wheat Sop Jan Mar	1115 1140 1227 1245 1275 1295 1083 ir 306 (54 Cicso 115 00 115 00 118 40 121 40	1100 1125 1100 1125 1100 1125 1060 1125 1060 Provious 1:1.55 114 60 118 25 121:10	1115 1100 1140 1127 1225 1245 1240 1273 1295 1063 Migh/Low 112.00 114 115 00 114 118 50 118 121.56 121
224 20 16 2 13 20 11 3 02 19 95 2 06 3 28 Visna Visna Visna Visna Visna Visna Visna 0 182 75 5 194 00 0 182 00 0 182 00 0 183 00 0 183 00 0 183 00 0 183 00	Aug Sep Oct Jan Apr Oct BFI Turnove GRAINS Wheel Sep Jan May	1115 1140 1227 1245 1275 1295 1083 * 206 (54 Cless 112 00 115 00 116 40 121 50 124 50	1100 1125 1100 1125 1100 1125 11060 1125 1060 1125 1060 1135 114 60 118 25 121 10	1115 1100 1140 1127 1225 1245 1240 1275 1285 1063 Migh/Lew 112.00 111. 115.00 114. 118.50 118. 121.56 121.
224 20 18 2 13 20 11 3 02 19 95 2 70 3 28 Viuna /Low 5 188.75 5 188.75 5 192.75 5 194.00 0 192.75 0 182.00 0 183.00	Aug Sep Oct Jan Oct BFI Turnovo GRAINS Wheat Sap Jan Mar Mar Jun	1115 1146 1227 1245 1275 1295 1083 * 206 (54 3 - Lore Cicso 112 00 115 00 118 40 124 50 124 50 125 90	1100 1125 1100 1126 1100 1125 1060 1125 1060 1125 1060 114 60 114 60 114 62 121 122 121 122 124 00 125 20	1115 1100 1140 1127 1225 1245 1240 1275 1285 1063 Migh/Lew 112.00 111. 115.00 114. 118.50 118. 121.56 121. 124.50 124.
224 20 16 2 13 20 11 3 02 19 95 2 06 3 28 Visna Visna Visna Visna Visna Visna Visna 0 182 75 5 194 00 0 182 00 0 182 00 0 183 00 0 183 00 0 183 00 0 183 00	Aug Sep Oct Jan Apr Oct BFI Turnove GRAINS Wheel Sep Jan May	1115 1140 1227 1245 1275 1295 1083 * 206 (54 Cless 112 00 115 00 116 40 121 50 124 50	1100 1125 1100 1125 1100 1125 11060 1125 1060 1125 1060 1135 114 60 118 25 121 10	1115 1100 1140 1127 1225 1245 1240 1275 1285 1063 Migh/Lew 112.00 111. 115.00 114. 118.50 118. 121.56 121.
224 20 16 2 13 20 11 3 02 19 95 2 06 3 28 Visna Visna Visna Visna Visna Visna Visna 0 182 75 5 194 00 0 182 00 0 182 00 0 183 00 0 183 00 0 183 00 0 183 00	Aug Sep Oct Jan Oct BFI Turnovo GRAINS Wheat Sap Jan Mar Mar Jun	1115 1146 1227 1245 1275 1295 1083 * 206 (54 3 - Lore Cicso 112 00 115 00 118 40 124 50 124 50 125 90	1100 1125 1100 1126 1100 1125 1060 1125 1060 1125 1060 114 60 114 60 114 62 121 122 121 122 124 00 125 20	1115 1100 1140 1127 1225 1245 1240 1275 1285 1063 Migh/Lew 112.00 111. 115.00 114. 118.50 118. 121.56 121. 124.50 124.

Close Previous 1084 1070 115 1160 1170 1170 1170 1170 1170 1170 1170	7094 1076 1115 1100 1140 1207 1225 1245 1240 1273 1295 1063
rug 1115 1100 cp 1140 1125 ct 1227 1100 in 1245 1125 pr 1275 1100 ct 1295 1125 Fi 1083 1060 urnover 306 (54)	1115 1100 1140 1227 1225 1245 1240 1275 1295 1063
cp   1140   1725 ct   1227   1100 an   1245   1726 pr   1275   1120 bt   1295   1125 F1   1083   1060 urnover   306 (54)	1140 1207 1225 1245 1240 1273 1295 1063
et 1227 1100 an 1245 1125 pr 1275 1100 ct 1295 1125 FI 1083 1050 urnover 306 (54)	1207 1225 1245 1240 1275 1295 1063
in 1245   125 pr 1275   100 tt 1295   1125 FI 1083   1060 urnover 306 (54)	1245 1240 1273 1295 1063
pr 1275 1100 tt 1295 1125 Fi 1083 1050 turnover 306 (54)	1275 1295 1063 \$7,000
Et 1295 1125 FI 1083 1060 urnover 206 (54)	1295 1063 S/lonn
Fi 1083 1960 urnover 306 (54) RADIS - London FOX	1063 E/tons
urnover 306 (54) RAINS - London FOX	Utom
AAMS - London FOX	
heet Claus Drawing	10 b .
MARK CICSO PROVIDE	s High/Low
ap 112 00 111.55	112,00 111,85
0 115 00 114 60	115.00 114.85
an 11840 11825	118 50 118,40
in 121 40 121 10	121.55 121.40
lay 124.50 124.00	124 50 124 50
un 125 90 125 30	125 80 125 80
arley Close Previou	s High/Low
ep 100 60 109 40	109 60
OV 113.50 113.30	113 50
am 11716 -	117.10
₩ 11955 ·	119.55 119.50
urnover: Wheat 192 (310)	. Barley 57 (144).
urnover lots of 100 Tonn	
IGN - London FOX (	Cash Settlement) p/%
Çiqsa Previou	s High/Low
či 104.0 103.0	102.0
urrayo 2 (5) (3ta et 3 25	2 kg

A compared the first terminal and the compared property of the compared terminal and the compare

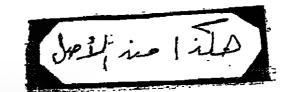
	045-50 075-80		88/5- 0315-	<u>~</u>	7140/7
Zinc, Special		rede (	_		
	362-3 378-7		1323 1344		1379/1
		_	10		10101
LME Closing SPOT: 1.9035	20 120	<u> </u>	mon	the Lat	F64
LONDON IN	LIME		-		
Prices suppl				nid)	
Gold (troy oz					
	& pncs	,	2	equive	lent
Closa	359.10-				
Opening Morning fix	357.20- 357.10	357.5		87 503	
Atternoon fla	358.75		1	88.004	
Day's high	359.50-				
Day's low	357.00-		_		
Loco Ldn Me			_		
i month	2.85 2.85		mon		2.88
months	2.82		12 mg	MI CITE	2.90
Silver fix	p/troy			IS eta e	Our V
			_		das
Spot 3 months	209.15 213.20			M1.00 199.45	
s months	219.50			02.75	
12 months	229,35		4	11.40	
BOND COMM	5			-	
	\$ pri	CB		YIUPO 3	ejent .
Krugerrand		0-358		186.00-1	87.00
Maple leaf		5-372.			
New Sovereid	yn 85.00	<b>47.50</b>		44.00-46	.00
TRADED OF	TONS				
Akuminium (9	9.7%)	Çe	liş	F	() bis
	tonne (	Sep	Dec	Sep	Dec
Strike price a					
		50	82	12	23
1300 1350	1	90 22	52	33	23 42
1300 1350	1	90 22 7	52 30		23
1300 1350 1400		90 22	52 30	33 68	23 42
1306 1350 1400 Copper (Grad 2550	le A)	50 22 7 Cu	52 30	33 68 F	23 42 70 Vts
1300 1350 1400 Copper (Grad 2550 2500	le Ā)	50 22 7 Cu 59	52 30 /// 77 56	33 68 F 40 68	23 42 70 70 85
Strike price \$ 1300 1350 1400 Copper (Grad 2550 2600 2660	le Ā)	50 22 7 Cu	52 30	33 68 F	23 42 70 Vts
1300 1350 1400 Copper (Grad 2550 2660	le A)	50 22 7 Cu 59	52 30 /// 77 56	33 68 F 40 68	23 42 70 70 85
1300 1350 1400 Copper (Grad 2550 2660 Coffee	le A)	90 22 7 Ca 39 35	52 30 77 56 40	33 68 7 40 66 100	23 42 70 245 85 114 148
1300 1350 1400 Copper (Grad 2550 2500	ie A)	90 22 7 Ca 39 35 20	52 30 77 56 40	33 98 40 56 100	23 42 70 1015 85 114 148

43 11 23

Sep Oct Sep Oct

70	170-80 180-100	7070-5	11,	,626 lota
		Total dail	y turngve	r 16,926
13	980-1 374-5	1368-7	71,	932 lota
ăn	marke: 1.6	1425	9 mx	onthe: 1.6
Ne	w Y	ork		
GOU	0 100 troy	oz.; Sítroy (	32.	
	Close	Previous	High/Lo	w
Jul	356.9	357.6	0	Ď.
Aug Sep	359.3 360.1	358.9	300.7 G	367.9 0
Oct	361.1	359.9	332.67	359.7
Dec Fob	363.0 364.9	361.9 363.8	384.5	361.6 363.7
Apr	355.7	365.7	367.0	365.4
Jun Pus	368.6 \$70.7	367.7 369.5	370.0 369.6	369.0 369.8
		J-002.02	300.0	303.0
PLAT	MUM ST	roy oz; \$/tr	W 07	
		Previous	Fligh/Lo	
	Close	L. A. B. William	-	
	Close	376.0	386,5	385.5
Jul Çet	381.8	376.0 376.6	386,5 363,0	385.5 376.5
Jul Oct Jan	381.8 379.8	378.0 376.5 373.5	385.5 363.0 381.0	385.5 376.5 376.0
Jul Oct Jan Apr	381.8	376.0 376.6	386,5 363,0	385.5 376.5
Jul Oct Jan Apr Jul	381.8 379.8 379.8 376.8 380.3	378.0 376.5 373.5 373.4 375.1	385.5 363.0 381.0 391.6 0	385.5 376.5 376.0 375.0 0
Jul Oct Jan Apr Jul	361.8 379.8 379.8 376.8 380.3	378.0 378.5 373.5 373.4 876.1 oy oz. eenis Provious	385.5 363.0 381.0 381.0 0	385.5 376.5 376.0 375.0 0
Jul Oct Jan Apr Jul	381.9 379.8 379.8 379.8 380.3 ER 5,000 pr	378.0 378.5 373.5 373.4 376.1 0y 0z; earls Previous 393.7	385.5 363.0 381.0 381.0 0 Urroy 02 High/Lo	385.5 376.6 376.0 0
Jul Oct Jan Apr Jul SHLVI	361.8 379.8 379.8 376.8 380.3	378.0 378.5 373.5 373.4 876.1 oy oz. eenis Provious	385.5 363.0 381.0 381.0 0	385.5 376.5 376.0 375.0 0
Jul Oct Jan Apr Jul Str. VI	381.8 379.8 379.8 379.8 380.3 SR 5,000 P Choose 984.9 402.8	378.0 278.5 373.5 973.4 878.1 0y 02; earts Previous 393.7 394.5 395.5	385.5 383.0 381.0 381.0 0 Whrely 02 High/Le 395.5 0 409.5	385.5 376.0 375.0 0 375.0 0
Jul Oct Jan Apr Jul Kaig Sep Dec	381.8 379.8 379.8 379.8 380.3 ER 5,000 tr Choose 088.9 EFF 7 398.7 402.8 404.3	378.0 379.5 379.5 379.4 876.1 0y 622 earlis Previous 390.7 394.5 395.5 290.6 401.1	386.5 381.0 381.0 381.0 0 Wroy 02 High/Lo 335.6 0 400.5	385.5 376.0 375.0 0 395.5 0 396.0 400.0
Jul Oct Jan Apr Jul Jul Str. VI	361.8 379.8 379.8 380.3 380.3 ER 5,000 P Cross 386.7 402.8 404.3 404.3 404.2	378.0 378.5 373.4 377.4 377.1 377.1 390.7 394.5 395.5 395.6 401.1 404.0 406.9	386.5 383.0 381.0 381.0 0 0 47.0 0 47.0 395.5 0 409.5 409.5	384.5 376.0 375.0 0 375.0 0 396.0 400.0 0 405.0 407.6
Jul Oct Jan Apr Jul	381.3 381.8 379.8 379.8 380.3 380.3 590.3 580.3 580.3 580.3 580.3 580.3 580.3 580.3 580.3 580.3 580.3	378.0 378.5 373.5 373.4 875.1 875.1 875.1 97.2 98.5 383.7 394.5 394.9 401.1 404.9 409.8	385.5 383.0 381.0 0 381.0 0 400.5 400.5 400.5 406.5 406.5 406.5 405.5	385.5 376.0 375.0 0 0 396.5 0 396.5 0 400.0 0 407.6 412.5
Jul Oct Jan Apr Jul Sep Dec Jul May Jul Sep Ju	361.8 379.8 379.8 380.3 380.3 ER 5,000 P Cross 386.7 402.8 404.3 404.3 404.2	378.0 378.5 373.4 377.4 377.1 377.1 390.7 394.5 395.5 395.6 401.1 404.0 406.9	386.5 383.0 381.0 381.0 0 0 47.0 0 47.0 395.5 0 409.5 409.5	384.5 376.0 375.0 0 375.0 0 396.0 400.0 0 405.0 407.6
Jul Oct Jan Apr Jul Sep Dec Jul May Jul Sep Ju	381.3 381.8 379.8 379.8 380.3 380.3 ER 5,000 P Chose 196.9 197.7 402.8 404.2 410.2 410.2 410.2 410.2	378.0 278.5 373.4 377.4 377.1 377.1 390.7 390.7 394.5 390.6 401.1 409.8 409.8 409.8 412.7	386.5 383.0 381.0 0 0 Whroly 02 High/Lo 395.5 0 409.5 409.5 409.5 409.5	385.5 376.5 376.0 375.0 0 396.5 0 396.0 407.5 412.5 0
Jul Oct Jan Apr Jul Aug Sep Jul May Jul May Jul Dec	381.3 381.8 379.8 379.8 380.3 380.3 ER 5,000 P C1000 1985.9 1977.7 402.9 404.2 410.2 410.2 410.2 410.2 411.2	378.5 372.5 372.4 377.4 377.1 377.1 390.7 390.7 390.5 390.5 390.6 401.1 405.8 405.8 405.8 405.8	385.5 383.0 381.0 0 0 1/2roy oz. High/Lo 395.5 0 400.5 0 400.5 0 400.5 0 423.0	385.5 376.5 376.5 0 375.0 0 396.5 0 400.0 0 407.5 412.5 0 423.0
Jul Oct Jan Apr Jul Jul Jul Sep Dec Jun May Sep Dec	381.3 381.8 379.8 379.8 380.3 380.3 ER 5,000 P C1000 1985.9 1977.7 402.9 404.2 410.2 410.2 410.2 410.2 411.2	378.0 278.5 373.4 377.4 377.1 377.1 390.7 390.7 394.5 390.6 401.1 409.8 409.8 409.8 412.7	385.5 383.0 381.0 0 0 1/2roy oz. High/Lo 395.5 0 400.5 0 400.5 0 400.5 0 423.0	385.5 376.0 376.0 375.0 0 396.5 0 400.0 407.5 412.5 0 423.0
Jul Oct Jan Apr Jul Sep Dec Jun Mar Jul Sep Dec	381.3 381.8 371.8 371.8 380.3 380.3 380.3 58.5,000 pr Close.9 197.7 398.7 404.3 407.2 410.2 410.2 410.2 421.1	378.0 278.5 373.5 373.5 373.4 877.1 877.1 877.1 877.1 877.1 94.5 94.5 94.5 94.5 94.1 94.9 409.8 412.7 417.8	385.5 383.0 381.0 381.6 0 0 High/Lo 395.5 0 409.5 409.5 409.5 409.5 409.5 409.5 409.5 409.5 409.5 409.5 409.5	385.5 376.0 376.0 375.0 0 396.5 0 400.0 407.5 412.5 0 423.0
Jul Oct Jan Apr Jul Jul Jul Jul Jul Jul Jul Jul Jul Jul	381.3 381.8 379.8 379.8 380.3 380.3 380.3 580.3 580.3 580.3 580.3 580.7 402.9 410.2 410.2 410.2 410.2 410.2 4115.0 600.0	378.0 378.5 373.5 377.4 877.1 877.1 877.1 877.1 877.1 99.5 390.5 390.5 390.5 390.5 390.5 401.1 409.0 401.1 409.0 412.7 417.8	386.5 383.0 381.0 0 381.0 0 0 140.5 305.5 0 400.5 400.5 400.5 400.5 400.5 415.0 0 423.0	388.5 378.6 378.0 378.0 378.0 0 386.5 0 400.0 407.0 412.5 0 423.0
Jul Oct Jan April Jul April Jul April Jul April Jul April Ap	381.3 381.8 378.8 378.8 380.3 380.3 380.3 380.3 380.9 387.7 398.7 404.3 407.2 410.2 410.2 410.2 410.2 411.1	378.0 378.5 373.5 373.5 373.4 875.1 875.1 875.1 394.5 394.5 395.5 290.6 401.1 406.9 406.9 406.9 412.7 417.8	385.5 383.0 381.0 0 0 11gh/Lo 305.5 0 409.5 409.5 409.5 409.5 409.5 415.0 0 423.0	388.5 378.6 378.0 375.0 0 396.5 0 396.5 0 400.0 0 407.6 412.5 0 423.0
Jul Oct Jan April Jul Str. VI	381.3 381.8 379.8 379.8 380.3 380.3 380.3 380.3 C1000 D84.9 404.3 407.2 410.2 410.2 410.2 411.1 GRADE C Close 115.06 115.15 114.70 114.70	378.0 378.5 373.5 373.4 876.1 876.1 876.1 976.1 976.1 98.5 98.5 98.5 98.5 98.5 401.1 401.0 405.8 412.7 417.8 976.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5	386.5 383.0 381.0 0 381.0 0 0 140.5 305.5 0 400.5 400.5 400.5 400.5 400.5 415.0 0 423.0	388.5 378.5 378.5 0 378.0 0 398.5 0 400.0 0 407.5 412.5 423.0 423.0
Jul Oct Jan Apr Jul Ap	381.3 381.8 379.8 379.8 380.3 380.3 380.3 380.3 380.3 380.9 397.7 386.9 404.3 407.2 410.2 410.2 410.2 410.2 410.2 115.06 115.06 115.06 115.06 115.06 114.70 114.50	378.0 278.5 373.5 373.5 373.4 875.1 875.1 875.1 99.5 393.7 394.5 395.5 395.5 395.5 491.1 496.8 409.8 412.7 417.8 115.40 1	385.5 383.0 381.0 381.0 0 0 110.0 110.5 100.5 40	385.5 376.6 376.0 375.0 0 396.5 0 396.5 0 400.0 407.0 412.5 0 423.0
Jul Oct Jan SR. Vill Jul SR. Vill Jul SR. Vill Jul SR. Vill SR. Vi	381.3 381.8 379.8 379.8 380.3 380.3 380.3 380.3 380.3 380.3 380.3 402.9 402.9 407.2 410.2 410.2 410.2 4115.06 115.06 115.05 114.70 114.50 114.70	378.0 378.5 373.5 373.4 876.1 876.1 876.1 976.1 976.1 98.5 98.5 98.5 98.5 98.5 401.1 401.0 405.8 412.7 417.8 976.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5 115.5	386.5 383.0 381.0 0 381.0 0 381.0 0 335.5 0 400.5 400.5 400.5 400.5 400.5 10 415.0 0 116.05 116.05 116.05 116.05 114.65	388.5 378.5 378.5 378.0 375.0 386.5 0 396.0 407.0 407.0 407.0 423.0 423.0 115.00 114.20
Jul Oct Jan Apr Jul SELVI	381.3 381.8 379.8 379.8 380.3 380.3 380.3 380.3 380.3 380.9 397.7 386.9 404.3 407.2 410.2 410.2 410.2 410.2 410.2 115.06 115.06 115.06 115.06 115.06 114.70 114.50	378.0 378.5 373.5 373.4 877.1 877.1 877.1 877.1 877.1 94.5 393.5 393.5 393.5 393.5 401.1 404.9 405.9 412.7 417.8 115.30 115.30 115.30 115.30 114.75 114.00	385.5 383.0 381.0 381.0 0 0 110.0 110.5 100.5 40	385.5 376.6 376.0 375.0 0 396.5 0 396.5 0 400.0 407.0 412.5 0 423.0

CRUDE	OIL (LI	ght) 42,000	US galla S	berrel	- CH	ricag	0		
	Gloss	Providuo	High/Lov	, .	_		uco bu min	controllin i	A carleson
-073	21.04	21.65	21.87	21,88		.C004	Previous		
Oct Nov	21.72	21,44	21,74	21.54	Chicago			High/Lov	_
Deg	21,61 21,40	21.37 21.29	21.51 21.50	21.45 21.33	Jul Page	658/2 558/2	656/Ú 658/2	869/0	568/0
Jen.	21,37	21.19	21.39	21,24	Sep	559/0	559/4	560/0 561/4	557/0 667/6
Feb	21.24	21.09	21,24	. 21.12	Nov .	663/0	563/6	685/4	561/4
Mar Apr	EV.10 20.97	20.98 · 20.87	21.06	37,00	wan	570/8	571/4	573/0	560/2
May	20.88	20.77	20.97 20.87	20.91 20.78	Mar	679/2 686/2	683/2 886/8	581/4	678/0
					- Jul	590/2	591/Q	592/2	885/0 689/0
TEA III		5'000 A\$ 86			Nov	583/4	582/0	685/0	582/0
No.	Close	Previous	. High/Low		SOY/	UBEAN OIL	60,000 lbs;	cents/lb	
Aug	8167	5987 5083	5195 5180	8046 6125		Close	Previous	High/Low	
Oct	6262	6176	6270	6220	Jul	19.02	18.96	10.07	18,95
Nov	6347	8268	6351	6320 ·	Aug	19.09	19.00	19.19	10.55
Dec	6418	6348	8425 8445	6420	Sep.	19.22	10,19	19.33	10.15
Mb	6330	6276	6355	6315	Dec :	19.38	19.68	19,48	19.32
Mar	6090	6048	6120	6105	Jan	19.85	10.79	19.00	19.62
Apr	5865	5828	5900	5900	Minr	20.45	20.06	20.20	20.07
May	5700	5663	5710	5730	May	20.40	20.33	20.45	20.35
roco,		96;5/to/mei			SOYA	BEAN ME	AL 100 tons:	\$/ton	
	Clase	Previous	High/Low	_		Cione	Previous	High/Low	
Sep	987	934	995 .	937	JU	172.8	173.5	173.7	172.5
Dec	1044	931 1039	1038	1048	Aug	173.3	174.0	174.2	173.1
May	1124	1068	1096	1075	Om	173.9	174,8 193.1	174.9 190.8	173.7
JUS	1150	1095	1135	1122	Dec	191.1	192.4	192.4	191.2 190.2
Sep Sec	1180 1213	1161	0.	0	Jan	190.7	1917	192.0	190.1
Mar	1262	1210	Ö	0	Mar	189.9 189.2	190.# 189.3	190.0	169.0
COFFE	1-0-27	,000fbs; per	its/line					189.8	1053
	Octo	Previous	High/Lim				min; cents/5	6th bushel	
Sep	81.35	61.80	01.00	50.00	TROW	Close	Previous	High/Low	
Des	63.50	63.60	63.80	60.80 82.90	Jul Sep	222/6 225/6	227/0 227/0	227/4	221/0
Mar	66.00	65.80	40.10	16.30	Dec	230/0	230/8	227/4	225/4 229/4
May	70.00 71.95	71.00	69.75 71.83	69.50	, Mar	238/4	239/0	239/4	238/0
Sep	73.90	72.75	73.40	71.50 73.90	May Juj	243/6 248/0	244/2	244/4	243/6
Dec	77.00	76.50	77.00	77.00	.Sep	248/8	248/4 247/4	248/6 248/2	247/4
SUGAR	WORLD	"11" 112,00	00 Ros; cent	s/lbs	Dec	246/2	247/4	2407Z	246/6 248/2
	Close	Previous	High/Low	_	WHEA	T 5,000 bu	min; cents/	Min-hershal	
Oct	20.05	9.97	10.45	9.85		Close	Previous	High/Low	-
	2.07	9.57	8:70	8.50	JEAN T	333/0	344/0	345/0	
	9,55 9,50	9.49	9.63	8.44	50p	340/6	342/2	343/4	333/0 338/4
	9.50 9.25	9.44	9.53 9.42	9.37 9.06	Dire	360/6	351/0	352/4	348/2
_		cents/lbs		400	Anny	353/4	353/0	354/2	. 351/4
					Jul	326/2	344/0 325/8	345/0 326/4	342/6 324/2
	Close	Provious	HIGHYLOW		LIVE	ATILE 40	000 fbs; cen		32472
	63.48 62.18	52.82 61.70 -	63.50	62.90		Close			
Mar	63.27	62.87	62.20 63.28	61.83 62.93	4		Previous	High/Low	
	64.08	63.67	63.90	61.75	Aug	79.075 72.750	72.925	73.150	72,575
	64.43	84.06	84,20	64.20	Dec	71 200	72.875 70.975	72,900	72.50
	63.36 63.32	63.55 63.31	0	Ö	Feb	70.576	70.325	71.300 70.650	70.800 70.225
			-	0	Apr - kus	71.725	71.500	71.775	71,300
_		15,000 lbs;			Jun	68.960 67.800	68.900	<b>29</b> (00	68.925
	Close	Previous	High/Low				67.500	88,250	67,700
	117.66	116.85	117,75	118.80	- MAC 4		0 lb; cente/l	be	
	113,50 112,70	112.50 112.20	113.50	112.90		Closs	Previous	High/Low	
-	112.95	112.50	113.05 113.25	112.40 112.60	Jul	45.975	45.450	46.000	44.800
Many 5	112.95	112.50	0	0	Aug	43.750	43.250	43.800	43,050
kal .	112.65	112.56	114.00	114.00	Dec	38.750 40.100	38.650 39.675	39.075	38.500
	112.05  12.05		0	0	Feb	41,100	40,600	40.200	39.600
	. 12.00		0	0	Apr	39.825	39,550	41.250 38.900	39,450
DIDIC	<b>13</b> . "		,		Jun Am	45.350	45,250	45.350	45,000
		e: Septombe	15 1851	100	Aug	43.500	43.500	G	43.400
	Jul 22	. Jul 21			PORK	BELLIES 4	0,000 lbs; ed	mts/Ib	
	1506.8	15514	moth ago 1568.4			Closa	Previous	High/Law	
DOW 1		ese: Dec. 3		1697.1	- Jul	31.800	31.550	31.000	30.125
x &					Aug Feb	28.650	26,275	28.900	27,470
Name of	3821	Jul 20	MOTO BOO		Mar	38,060 38,126	37.850	38.200	36.750
Boat Futures	118,20 119,03	116.04	-	123.52	May	39.050	37.350 38.350	38.150	36.300
Service All	4 147749	1 1000		129,47	Jul	38.200	38.250	38.490	37,600 38,000



FT-SE Eurotrack 200, Hourly changes Day's High 1099.37

## LONDON STOCK EXCHANGE

# FT-SE Index collapses through 2,400

By Terry Byland, UK Stock Market Editor

UNSETTLING reports on the domestic economy left the London stock market vulnerable yesterday to the widespread fading to hold a rally in later setback across European dealings.

Worries about the UK hous-Tokyo's fall to a six-year low. Although selling pressure remained moderate, the UK market collapsed through the FT-SE 2,400 mark, finishing 27.7 down at 2,387.9, its lowest closing level since April 3, when the stock market was gearing itself for the UK general election

Equities opened weaker, and soon moved lower following a poor start by the September futures contract on the Footsie.

PROPERTY and leisure group

Ladbroke plunged in very

heavy turnover as a combina-

tion of technical factors and

renewed trading worries hit the stock. The shares contin-

ued to tumble in after-hours'

trading as rumours circulated

that the group would be issu-

ing a statement today. A spokesman for Ladbroke dis-

missed the story as "rubbish".

by two large lines of stock which had difficulty finding a

home. Later, talk again focused

on Ladbroke's exposure to the

wilting US property market and the flat UK consumer mar-

ket, where its leisure and DIY

interests are suffering badly.

158p - their lowest since Janu-

ary 1988 - in turnover exceed-

ing 7m. Traders were marking

the shares down by as much as

a further 15p in after-hours'

trade as nervousness grew that

a gloomy statement may be

Further good news on the

exploration front staunched

the latest flow of selling in

Lasmo, the oil exploration and

production group. Lasmo shares have been hit by a suc-

cession of bearish stories since

the company's takeover of

The group said yesterday that an exploration well in Morecambe Bay, off the coast

of England, had produced an oil flow of 1.370 barrels a day. as well as gas from a separate zone. Lasmo has a 30 per cent stake in the block containing the oil and gas discovery. Monument Oil & Gas has a 20 per cent holding.
The oil and gas find is the second piece of encouraging drilling news for Lasmo this

week. On Monday, the group's Indonesian gas reserves were sharply increased following an independent evaluation Lasmo is due to announce interim figures next Wednesday. The stock settled 11/4 off at 125p, having fallen to 123p earlier in the day. Monument managed a

minor gain at 32¼p.

Cariton wanted

An improved recommendation from the company's broker was said to be behind the rise in new Footsie constituent

Carlton Communications. The stock was the day's strongest

among the FT-SE 100 compo-

NEW HIGHS AND

LOWS FOR 1992

LOWS FOR 1992

NEW MIGHS (S).

CENTRICALS (1) Mennier-Samin.

ELECTRICALS (1) Tr 4-pot 8, 30.

BRITESH RIMBS (1) ARBOR (1) From 10 ARBOR (1) ARBOR (1

Lasmo steadier

The shares closed 17 off at

Early trading was dominated

from Tokyo, shares had to face continued softness in sterling. Throughout the session, the Footsle September future pro-

ing market deepened after the building societies disclosed a heavy annualised fall in mortgage commitments. The reac-tion on the German stock market to the latest domestic money supply data revived fears that the key Lombard rate might be raised, forcing UK rates to follow suit.

At mid-morning, statistics showing a 0.2 per cent dip in UK retail sales and a current account deficit on trade of

Account Duality Deles Jul 27 Aug 10 Option Declaration Jul 23 Aug 20 Aug 21 Aug 7 Aug 17 Sep 1

indications that the economy remains depressed. Unsubstantiated reports that the UK government was about to announce swingeing cuts in public spending completed the mood of gloom.

At the day's low, just after the trade figures announcement, the Footsie sank to 2,376.8, down 38.8. There were substantial losses in shares

with many building and construction stocks suffering afrest.

There was little support behind the closing rally in share prices, which most traders believed reflected little more than bear-closing operations by traders wanting stock to meet earlier selling commitments. The argument that UK stocks offer good value was repeated, albeit desparingly, by equity strategists.

However, some comfort was drawn from the modest level of turnover; Seaq volume of 428.1m shares compared with Tuesday's 421.5m, which was worth only £864.1m in terms of customer business. Traders also pointed out that London's fall of 1.1 per cent was only about a half of the losses suf-

fered yesterday on the French and German equity markets. Suggestions that the UK government might be about to introduce heavy reductions in public spending found a ready reception in a market where

fund managers are said to be depressed by "a feeling of helplessness, as if the government cannot do anything about this There were very few exceptions to the general gloom. British Airways lost the gain of the previous day as the stock

market reassessed the implica-tions of the deal with USAir. ICI, with trading figures due shortly, gave ground again, and Reuters weakened sharply as Wall Street opened the new session with a 26 Dow points fall in early trading.

FINANCIAL TIMES STOCK INDICES 127.40 49.18 (3/1/75) 105 74 105 69 105 69 106 14 106 24 Figure Interest 50.53 1803.0 (22/7) 2149.7 Gold Minas 21.7 96.7 160.6 83.6 (15/2/83) (26/10/71) 2737 8 985.9 (11/5/92) (23/7/84) FT-SE 180 EDWN 2737.8 2382.7 (3/4) 1085.41 1109.52 1109.13 1131.06 1151.06 1171.12 1248,79 1085 41 1248 79 938.62 (11/5) (22/7) (11/5/92) (16/1/91) FT-SE Eurotrack 200 ●Ord. Div Yield ●Earning Yid %(full) ●P/E Ratio(Nei)(☆) 5 11 7 40 17 02 4 98 7 17 17.57 4.89 7.04 17.90 Basis 100 Govt. Sect. 15/10/29. Proof at 1928, (Frankry 1/7'35, Gold moost 13/9/55. Basis 1000 FT-SE 100 31/12/83 & FT SE Eurotrack 200 26/10/80 % Nd 15 84 7 26 17.35 17.32 20,485 23,153 20,480 864,1 950 0 903.9 22,239 24,883 22,646 378,4 387,3 413.8 19,491 1063 2 22,418 445 9 SEAO Bargns 5 00pm Equity Turnover(Em)1 18,612 GILT EDGED ACTIVITY Indices\* Gilt Edged Ordinary Share Index, Hourly changes Day's High 1823 8 Dav's Low 1796.9 Bargains Open 1823.8 1814.8 10 am 1608.8 1799.2 1 pm 1799.1 2 pm 1801.0 1804.1 1804.1 5 - Day average 91.9 92.2 FT-SE 160, Hourly changes Day's High 2407.5 Day's Low 2376.8 \*SE Activity 1974. †Excluding intra-market business and Overseas turnover. 
 Open 2407 5
 9 am 2397.7
 10 am 2392.3
 11 am 2392.3
 12 pm 2378.8
 1 pm 2379.6
 2 pm 2381.4
 3 pm 2382.7
 4 pm 2389.1

## Open 1000 em 11 am 12 pm 1 pm 2 pm 3 pm 1097.58 1092.79 1092.79 1092.79 1092.77 1093.84 In addition to the bad news. £722m in June were taken as across the range of the market, Heavy nents, appreciating 11 to 585p. FT-A All-Share Index 65%p on another heavy turn-Unigate slipped 9 to 277p Cazenove, which never comover of 6.1m. after chairman Sir Brian Kelments on market speculation, was believed to have put Carl-Marketmakers are convinced lett told the annual meeting 1,300 fall in that one buyer has been conthat "we must expect the preston on its buy list, focusing on news that the group's Techni-color unit had retained a film stantly picking up the shares ent difficult trading conditions to continue for the time being". Regional brewer Morland with a view to a bid or, alterna-Ladbroke tively, a belief that the stock processing contract from Son-y's Columbia Tri-Star. How-ever, some analysts said fears

800

800 -

400

200

tive range.

now at the bottom of its rela-

News that the loss-making

ecurity division may be off-

loaded, and a trade press fea-

ture claiming that the Office of

Fair Trading would not be

investigating compact disc

prices, also helped sentiment.

comments, stressing that no

decision had yet been taken on

whether to launch an inquiry.

The shares were finally 2

easier on balance at 743p.

The OFT rejected the press

months ago. Varied attitudes among London share analysts following Tuesday's interim report from Reuters left the stock sharply lower. After some erratic trading, the bear view prevailed and the shares closed a further

of Cariton losing the contract

had actually faded a few

35 down at 1090p. Agency broker James Capel reinforced its sell advice and argued that Reuters' cash mountain of \$600m did not fit well with its high price/earnings ratio. BZW said: "The company is now right at the top end of UK growth stock ratings," adding that Reuters needs to approach 1025p before becoming attractive.

However, broker Hoare Govett points out that the company is some 35 per cent held in the US, where its p/e rela-tive is not nearly so demanding. Hoare is maintaining its buy stance and is considering raising its full-year profits forecast to gallom.

Mirror Group Newspapers continued to rise against the market, with most traders believing a stakebuilder was at work. The shares firmed 1% to

化正线 医格里氏

offers very good value. Most analysts say institutional investors acknowledge the value in MGN but are staying well clear because of the Max-

well aura still surrounding the

company. The property sector picked itself up from its recent drubbing as bargain hunters were spotted. British Land, helped by a County NatWest note on superstore investments, put on 2 to 186p. Greycoat's good run continued as James Capel was reported to be positive ahead of

today's figures, for which there is hope that the dividend will be held. Hammerson, missing from most broker's recent recommendations, at last found some support, the "A" shares bounc-ing 8 to 260p. MEPC gained 7 to 267p. Land Securities 4 to 367p and Slough Estates 5 to 127p. Southend Properties jumped 6 to 42p on well-received results. SmithKline Bercham units

"A" shares eased 3 to 454p. After several days of selling pressure, Thorn EMI bounced initially with the help of a supportive note from Hoare Govett, the securities house, arguing that the group was

were a penny firmer at 413p as

one US house upgraded the

company to a strong buy. The

reversed an initial gain to finish a net 2 off at 461p, ahead of

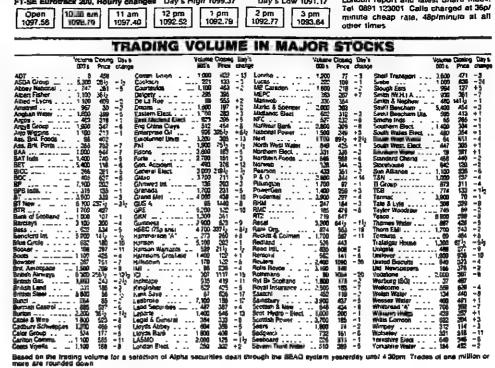
tomorrow's closing day for the bid from Greene King, 6 cheaper at 514p. Enterprise Oil rallied well, adding 61/2 at 3251/2p, with dealers arguing that the recent **Equity Shares Traded** steep fall in the shares had Tumover by volume (million) been overdone. The stock was Excluding: Intra-market business & Overseas turnover also helped by a bullish note on the exploration and produc-

> by Hoare Govett. The combination of a large seller and the effects of an overhang of stock on dealers' books caused Siebe to drop 24 to 639p.

tion (E&P) sub-sector issued

Weakness in the construction sector was only one of the factors that undermined Trafalgar House. The shares gave up 5¼ to 67%p as dealers also focused on fears about the dividend and uncertainty over the Hong Kong Airport project, for which Trafalgar is a major contractor. Poor sentiment in the construction sector left P & O 14 lighter at 344p.

MARKET REPORTERS: Joel Kibazo, Colin Miliham, Christopher Price. Peter John, Steve Thompson. Other market statistics,



Day 5 Low 1091.17

## **EQUITY FUTURES AND OPTIONS TRADING**

DISAPPOINTING monthly data on UK retail and trade figures, together with falls in other European markets, prompted a further fall in stock index futures, writes Joel Kibazo.

The September contract on the FT-SE opened firmly at 2,403 but selling by independent traders in the first few minutes sent it falling to 2,394. Attempts at a rally soon petered out, however, as dealers focused instead on the falls

in other European markets 2,401, down 23 from the previwhich followed talk that the Bundesbank may soon be forced to raise its Lombard rate. Sentiment was further weakened by the release of the UK trade and retail figures, after which the September contract dipped to the day's

low of 2,384. After a period of sideways trading, bargain hunting helped the Footsle future contract regain some of its earlier fall. The contract closed at

ous session and around 5 points above its estimated fair value premium to cash of about 18. Turnover reached 8,637. Dealers reported a further recovery in the contract in after-hours' trading.

London report and latest Share index

The expiry of the July stock options provided the main feature in the traded options market, where turnover totalled 36,381 lots. Some 10,358 contracts were transacted in the

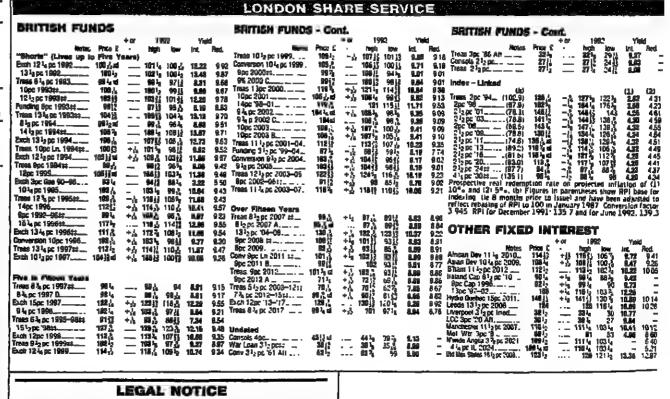
# FT-ACTUARIES SHARE INDICES

<sup>©</sup> The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in confunction with the institute of Actuaries and the Faculty of Actuaries

	EQUITY QROUPS		Wedn	≝day .	July 22	2 1992	2	Tue Jul 21	Jaj Mon	Fri Jui 17	Year ago Capprox
Fj	& SUB-SECTIONS gures in parentheses show number of stocks per section	Index No.:	Day's Change	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%)	Est. P/E Ratio (Net)	zd adj. 1992 to date	index No.	index No.	Index No.	Index No.
1	CAPITAL 8000S (176)		-0.9	7.96	6.06	16.05					
. 2	Building Materials (22)	780.44		6,95							1070.44
3	Contracting, Construction (28)	670.61	-1.8	5.19		42.33	25.20				1160.65
- 3	Electricals (9)	2252.59	-0.8	7.68	6.72	16.87	68.82				2448.6
9	Electronics (28)	11882.78	-0.5	8.57	4.63	14.54			1876.62		
- 6		308.95	-1.1 -1.5	11.81	8.45		11.27	311 91			417.6
- 7	Engineering-General (43)			8.90							
8				5.80 8.31	7.64 7.36	25.26 15.83	6.92				
	Motors (14)	1590.55	-0.2		5.22	15.44	10.04 36.53				327.6
10	Other Industrial Materials (19)	1530.26		7.80 8.00	3.76	15.44	24.61				
21 22		1047 43	-14	8.41	3.72	14.35				2029.17 1200.51	
<u>25</u>	Food Manufacturing (19)	1102 00	-1.4	9.11	4.46	13.57	26 D1		1198.14		
26 26		2463 10	-1.3	9.10	3.40	14.33		2717.33		2756.30	
20 27	Health and Household (24)	2701 14	-0.7	7.34	2.82	15.50				3724 67	
29		1070 61	-29	7.50	6.39	17.33		1103.05			
	Media (27)	1470 07	-12	6.98	340	17.77			1497.54		
31	Packaging Page & Printing (17)	724 95	-0.7	7.11	4.56	17.04	14.76				
34		956.83	-0.7	7.88	3.89	16.77	16.96				
	Textiles (9)	611.02	-21	7.68	5.07	16.38	14.72				569.07
ŧ٨	OTHER GROUPS (118)	1203.20	-12	10.35	5.48	12.06			1213.65		
87	Busines Services (3.7)	1246.73	-8.3	6.74	4.13	18.11		1289.10			
82	Chamlagle (22)	17 225 Ad	-1.2	7.89	5.44	15.52			1355.63		
43	Conglomerates (11)	1186.68	-1.0	10.50	7.94	11.95	23.62	1198.13	1175.30	1203.22	1486.03
44	Transport (14)	2227,94	-2.8	8.86	5.30	13.92	54.40		2261.03		
45	Electricity (16)	1335.76	+0.3	14.78	5.49	8.57	38.33	1332.25			
46	Conglomerates (11)	1365.92	-1.1	11.40	4.84	11.44			1379.38		
17	Water(11)	Z//0.00	0.7	16.16	6.23	6.85			2816.17		
18	Miscellaneous (23)	1955.98	-0.9	5.75	5.04	22.89				1991.31	
19		1228.90	-1.1	8.75	4.72	14.21	24.22	1242.94	1238,31	1255.78	1266,38
51	011 & Gas (17),	1848.57	-0.7	8.19	7.70	16.05	63.73	1861.06	1859.75	1849.50	2491.64
		1289.13	-11	8.69	5.01	14.37		1303.26	1298.80	1314.59	1369 97
	FINANCIAL GROUP (85)		-1.6	- 5.07	6.62		20.06	692.43	b87.57	700.84	
5	Banks (9)	910 76	-17	7.24	6.01	19.60	24.58	926.87	916.63		716.53
52 55	Insurance (Life) (6)	1389.85	-1.6		6.41		44.26	1411.89			
7	Insurance (Composite) (7)	431.85	-3.7	[ -	8.06	- 1	13.46	448.25	445.18		650.32
7	insurance (Brokers) (10)	742.44	-2.0	10.44	8.75	12.60	30.14	757.94	753.87	768.71	1161.50
8	Merchant Banks (7)	437.34	-0.2	-	4.94	-	11.25	438.32	437.63		425.77
	Property (31)	577.78	+1.1	10.08	7.92	13.43	19.44	571.33	565.38	577.72	927.14
0	Other Financial (15)	233.72	-0.7	7.76	7.50	17.43	6.63	235.38	237.18	240.09	248.56
1	Investment Trusts (70)	1093.73	-1.7	-	4.10	=.	19.26			1132.68	
Q.	ALL-SHARE INDEX (655)	1143.78	-12	-	5.19	-	25.23	1157.21	1152.75	1168.05	1232 17
		Index	Dav's	Day's	Day's	Jul	Jel	Jul 1	Jet	Jal	Year
i		No.	Change	High (a)	Low (b)	21	20	17	16	15	390
4	FT-SE 100 SHARE INDEX8	2387.9	-27.7			2415.6		2431.9	2483.4		

FIXED INTEREST						AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 22	Tue Jul 2I	Year ago (approx.)
PRICE INDICES	Wed Jul 22	Day's change %	Tue Jul 21	Accrued interest	xd adj. 1992 to date	1 2		8.33 8.75 8.75	8.35 8.75 8.75	9.04 9.91 9.91
British Government 1 Up to 5 years (24) 2 5-15 years (24) 3 Over 15 years (11) 4 irredeemables (6) 5 All stocks (65)	121.31 138.74 150.43 169.03	+0.06 +0.12 +0.02	121.25 138.65 150.25 168.99 135.73	2.18 1.50 2.09	7.77 7.72 7.35 7.34 7.85	lέ	Medium 5 years	9.24 8.95 8.90 9.48 9.12 9.04 9.03	9.24 8.97 8.92 9.48 9.13 9.05 9.03	10.27 10.11 10.05 10.44 10.24 10.14
Index-Linked 6 Up to 5 years (2) 7 Over 5 years (10) 8 All stocks (12) 9 Debs & Leans (62)	172.67 149.45 151.46	-0.16 -0.51 -0.45	172.94 150.21 152.15 121.41	0.40 0.49	1.83 3.09 2.90	14 15	Inflation rate 5% Up to 5yrs. Inflation rate 10% Up to 5 yrs. Inflation rate 10% Up to 5 yrs. Inflation rate 10% Over 5 yrs. Up to 5 yr	4.21 4 49 3.44 4.30 10.54 10.31 10.18	4.16 4.45 3.38 4.26 10.53 10.32 10.19	4.41 4.37 3.44 4.17 11.89 11.68 11.47

Appening lodex 2407 5; 9 am 2397.7; 10 am 2390.3; 11 am 2392.3; Noon 2378.8; 1 pm 2379.6; 2 pm 2381.4; 2.30 pm 2382.5; 3 pm 2382.7; 4.10 pm 2382.7; (a) 8.30pm (b) 12.14pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday Issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SEI. 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT. 2nd Floor, 126 Jermyn Street, London SW1V 4UJ. Tel: 071-925 2323.



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In accordance with the provisions of the Notes, notice is hereby given as follows: Interest period: July 21st, 1992 to October 21st, 1992

\* Interest payment date: October 21st, 1992 Interest rate: 3.8125% per annum

\* Coupon amount: US\$2,435.76 per note of US\$250,000 ACENT BANK HANK SUBSTREET



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12.2

26	FINANCIAL TIMES THURSDAY JULY 23 1992
AMERICANS  BUILDING MATERIALS - Cont.  + or 1992 Man yrd  Notes Price 2 - nigh low Capitin G/3  Abbort Labsh 15/41 18/4 18/87 21 5t Gottain FFr 258/4 281/4	11 0 (Severfield-five 40 48 33 4.18 33 7.2 Carrishe 46 53 3.1 Earl 48 48 33 4.18 33 7.2 Carrishe 46 53 3.1 Earl 48 33 4.18 33 7.2 Carrishe 46 53 53 53 53 53 53 53 53 53 53 53 53 53
WARGINGTON & W         259p         333g         2260         388.8         58 Sharpe 6 Prober         62         38         32           Amstell         907p         1189p         793o         1,016         0.6         SSharw (A)         30         29         21         438         3.1           Arear Cranamed         381g         37         251g         2,788         28         Sheffred Crayle         97         -111         70         233.5           Arear Cranamed         381g         2,788         28         Medical Crayle         97         -111         331         488.4         63	15 0 45horon 81 85 62 278 85 125 CL2/form 155 146 93 236 30 - Bookey 4 NWS. 54 145 - 2 1812 514 149 - Zear Cool 7. 150 146 93 236 140 93 236 140 93 236 140 150 150 150 150 150 150 150 150 150 15
Self Adams	- Vibroplan 90 168 90 41.4 55 • McCont (8) 4 24 3 2.16 McCont (8) 173 - Warrant 9 173 - 173
Chase Manhattan	######################################
Dun & Brad     387,     331,     27%     5,588     39 Ahr Landon     †     61     127     81     7,15     85       Eaton     397,     461,     21,     1,371     29 Ahr an Landon     58     85     3,43     5,5       Echn     18 1,     11     77,     565,4     36 Makeforted Sec.     1 124     -5     192     81     128,5       FPL     19 1,     14     20     18 1,     1,399     66 MBET     9     118 - 6     208     103     1,162     7,       Food Motor     23     -5,     25 1,     15 1,167     23     8PP     248     283     208     824     31       Gen Elect     48 1, st     -1,     45 1,     37,34,888     31     8arbour bases     200     -8     280     178     38,2     43	3 85 Arlen
Gilette 28 j. at -1 28 j. 27 23 j. 5,789 1.4 milet Date Mangt. R 123 -2 188 111 28.6 4.5 Habitro 14 j. 18 12 j. 1282 07 o'Broadcastie 11 -1 14 9 1.75 Horsywed 34 j. at -1 4 53 j. 2,400 2.5 Brooks Service 35 107 68 9.97 6.5 Houston Inds. 27 j. 25 22 j. 3,843 6.7 milet Date Mangt. R 123 124 135 9.9 2.9 Hill 14 14 15 14 j. 41	3   10.6 For Caise Light vis Electricity
Merral Lynch.   25 ly at   -12   39 ly   24 ly   2,719   2.0   Christie Group   38   39   27   2.13	- Section 55V 122   127 1197   180   07 22 4971   181   185   185   185 47 8.5 54.4 58   187 87 88   187 87 88   187 88
Rep NY	1.1 14.9 \$4.PA Inds
Unit Tech.	- Notice PT PM 718
Moles Prot   P	A 0   TEX Y   C197   C1
SCE	\$ 12.2   18.5   17.5   18.5
VECO.   181y    429   120 -   CFT	### 1932 MAI 174
WH A Tire Recycling         51p         +4         Skip         344p         1.78         - m6TP         213         -5         286         208         198.4         5.5           Nova Corp Aberta         373ya         -6         428p         3190         1.118         3.0         BTR Nytex AS         191         188         99         2.460         3.8         3.8         99         2.460         3.8         3.8         3.8         99         2.460         3.8         3	5 4 MSOuthern 0 384u -1 316 200 1,889 52 78 Barks (50) 1 194 143 143 11,8 62 7.5 + c 1800 Met 14 31 200 1,889 52 78 Barks (50) 1 194 143 143 11,8 62 7.5 + c 1800 Met 14 31 200 1,889 61 12 1887 (AS) 1 1 194 1 195 100 1 195 100 1 197 1 198 1 188 1
BANKS	- MAB Back 77 -1 100 58 22.8 12 - Callord 486 101 455 102 3.2 27 40m & Gen. 7 1036 1110 940 72.4 19 72.8 200 DV P1 173 -1 778 160 174 140 140 140 140 140 140 140 140 140 14
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Misubral V 27 £10/1 £54 £0.132 0.5 e Wostenborn 386 880 290 28.8 6.5 Mile 574 8 W 7 23 55 £3 5.96 1.2 8.7 Movieshor h 316 +1 380 277½ 118.4 6.5 Mile 174 & BY 7 211 802 245 3,307 1.3 14 1 Movie Carlo 244 -1 278 218 198.0 3.1 Max Aust A5 37 544 217 2,867 7 12 8 Max Aust A5 357 56 380 271 3 14 1 Movie Carlo 244 -1 278 218 198.0 3.1 Max Aust A5 36 56 6 380 271 57.5 7.3 4.9 CONGLOMERATES May 18 & Scotland 177 -2 286 147 1,388 6.7 42.7	6 feedback 27 46 16 227 - Sunt 246 205 627 73 27 / Hermits B. 278 - 488 306 884 43 192 MLm Apper March 25 - 482 283 197 227 - Chapter 65 - 47 87 - 882 283 197 297 297 297 297 297 297 297 297 297 2
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### BRIEW MAS & DISTILLERS  + or 1992 Mét Yid  ### Missa Price - Majo	## 1502 High 100 11.1 - 0
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GADrighton         18         28         9         1.14         — WESTRAZ Dovs.         48         -2         88         41         61.2         8           #GMSS         113         128         311         9.14         5.5         25.2         288-878-9         232         -3         38         218         37.2         38         38         218         31         34.3         885-84-96-9         21         -1         39         19         3.45         3.0         19         3.45         3.0         19         3.45         3.0 <td>  Winds   State   Stat</td>	Winds   State   Stat
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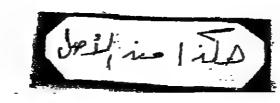
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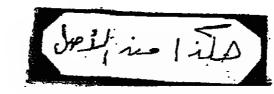


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# CURRENCIES, MONEY AND CAPITAL MARKETS

## **FOREIGN EXCHANGES**

# Sterling continues to weaken traders confident that Mon-day's central bank intervention

STERLING continued to perform nervously against the D-Mark yesterday after Germany's figure for June M3 money supply came in at 8.7 per cent, writes James Blitz.

The fear that the Bundesbank will lift its Lombard rate when its council meets next month continues to hang over the pound. A poor set of UK trade figures for June also depressed the currency, with the visible trade deficit widening by £0.1bn from the previous month. Yesterday, sterling declined a plennig from its pre-vious close to DM2.8325.

A worrying feature of the pound's performance is that it is the only currency in the European exchange rate mechanism which continues to weaken against the D-Mark following Monday's concerted intervention in the market by the US Federal Reserve and the European central banks.

The Italian lira showed some improvement against the D-Mark, firming to L758.2 from

July.22	Clase	Presions Close
( Spot	1.9060-1.9070 1.10-1.090m 3.30-3.27cm 11.40-11.30m	1 9090-1 9100 1.13-1 12pm 3 21-3 19pm 11.25-11 15p
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STERLING INDEX						
-		July 22	Privitan			
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CUR	REN	CY RA	TES
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	1 8840 - 1 5876 2 5460 - 2 5480 7468 65 - 7472 95

Financia Greece	7468 65 - 7472 95 7 7590 - 7780 345 130 - 352 100 14 7265 - 14 7400 1491 75 - 1515 80 0 55275 - 0 55380 4 7535 - 4.765 57 10 90 - 5723 25 3 4720 - 3 4765 3 1425 - 7 2195	4 0680 - 4.0710 191.000 - 184 001 7.7365 - 7.7375 1475.007 38 0 - 790 00 0 29000 - 0.2909 30 60 - 30 70 2 4490 - 2 4490 3113 50 - 3114 54 1 8225 - 1 8250 3 7495 - 3.7505 1,6130 - 1,6140
"Floating ra	le. Iras Official rate	£120.30 \$63.95

a previous L759.4. The Spanish peseta strengthened to Pta64.10 to the D-Mark from Tuesday's Pta64.16 close, while the French franc steadied against the German currency, ending unchanged at FFr3.378.

The underlying problem for sterling is that most of the central banks with high-yielding currencies have tightened either fiscal or monetary policy to withstand the D-Mark's rise. The Bank of Spain appeared

to be tightening monetary pol-icy yesterday by draining overnight funds from the interbank market at 12.75 per cent, compared to 12.45 per cent previously. The Italians have raised their discount rate by 1.75 percentage points in the last two weeks, and are also attempting to slim down their budget.

Yesterday's announcement of a tighter fiscal package by the UK government may have an effect on sterling in the next few days. Dollar/D-Mark trading was idelined vesterday, with most

resumed slide in the Japanese
stock market which left the
Nikkei average at a six-year
low of 15,542. As a result, the
dollar moved up to Y127,20 at
the start of European trading
from an opening of Y125,25. It
ended in London at Y126.85.
The D-Mark rallied to a closing
Y85.25 in Europe from an open-
ing of Y84.07. In New York the
US unit closed at Y126.68.

will keep the US currency trad-

ing in tight ranges for a while.

The dollar moved between

DM1.4780 and DM1.4900, clos-

ing unchanged at DM1.4885. Mr

Alan Greenspan's testimony on

the US economy continued to

have little effect on the cur-

rency, but unfounded rumours

that the United Nations had

started military operations

against Iraq brought support. The dollar ended in New York

The yen was lower against

both the D-Mark and dollar

yesterday following the

at DM1.4852.

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	Egy Control Rivind	Correcty America Against Ecu Jul 22	°, Crange from Central Nate	% Spread vs Welkesi Garrency	Disargence indicator
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can be not have a posture change checks a most currency. Disergence shows the ratio between two spreads the increasing difference between the abust married and Eco central rates for a currency, and the maximum permitted percentage deviation at the currency a market rate from its Eco central rate. Adjustment, calculated by Francial Times.

POU!	Day's spread	- FORWAR	D AGAIN	ST PL	Three ments	ND N
rance meden agan anti-ta whiteram	1.8975 - 1.9165 2.2620 - 2.2745 58.25 - 38.50 11.900 - 3.200 58.25 - 38.50 1.9025 - 1.0655 2.8300 - 2.8400 1.1655 - 1.0650 2.84775 - 382.91 101.16 - 102.43 2.146 40 - 2159 75 11.1350 - 11.1665 9.4525 - 9.4590 10.2075 - 14.500 10.2075 - 14.500 1	1 9030 - 1 9040 2 2550 - 2 2650 3,1900 - 3 2000 58 50 - 58 40 10.9025 - 10.9125 1 0640 - 1 0450 2 41 60 - 242 10 181 40 - 181 70 244 50 - 242 10 181 40 - 181 70 244 50 - 242 10 11 1350 - 11 1450 10 242 10 - 242 10 10 242 10 - 242 10 19 46 - 19 47 2 2 3100 - 2 5200 1 19 40 - 19 47 2 3 100 - 2 5200 1 19 50 - 19 47 2 3 100 - 2 5200	1.0-1.08cpm 0.90-0.83cpm 2cpm-spr 5-1-1-crm 2cpm-spr 5-1-1-2-2-2-2-2-2-2-2-2-2-2-2-2-2-2-2-2-	54541-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	1.88.3.25mm 2.44.2.74pm 1.3-8pm 1.3-8pm 1.2-3pt 2.4.2pm 1.62.57164 94.13764 94.13764 1.4.48h 21.44b 21.44b 1.4.24pm 1.4.24pm 1.4.24pm 1.4.24pm 0.23.036k	493 0.63 0.64 0.69 0.53 -4.60 -0.10 -0.10 -0.53 -0.56
mmercial / 135-1125	ates laken toppards ti pri	te est of Landon trad	ing Six-month for	eard doil	er 6 25-6.20pm 1	2 Month

Jul 22	Dars Spread	Close	On month	D.L	TVIN Marius	P.	
IKT relandt cenadt cenada Neberlands Betglum Denmark Gerstare Gerstare Gerstare Gerstare Forupal Spale Laty Norway Swiden Japas Swiden Santzerland Ecu	5,0000 - 3 0425 5,3740 - 5 4330 125,30 - 127,20 16 4330 - 10 5000 1,3100 - 1,3250 1,3650 - 1,3760	1 9090 - 1 9040 1 7870 - 1 7880 1 1900 - 1 1910 1 6780 - 5 6790 90 569 - 90 70 9 7275 - 5 7325 1 4890 - 1 4890 1 27 35 - 1 27 45 1 128 35 - 1 128 75 5 8500 - 5 6100 5 4500 - 5 4100 1 12 80 - 1 18 10 10 4991 - 10 9008 1 3210 - 1 3280 1 3670 - 1 3680	77-79eda 14 00-15 50 irredia 3.40-3 70 cresto 2.95-3 00 cds 3.66-3 92 cresto 0 10-0 11 dis 5.60-5 95 cds 0.61-0.63 cds 0.91-0 89 cm	625444444444444444444444444444444444444	3.28-3 (2)on 3.18-3 (2)on 3.18-3 (2)on 2.44-2 (4)ol 40-5 (1) (2) (4) (4) (4) 370-3900 113-3400 113-3400 110-40-119 (3)o 110-40-119 (3)o 110-5 (2) (2) (3)o 110-5 (2) (3)o 110-5	5.85 7.87 7.85 7.85 7.85 7.85 7.85 7.85	
Commercial rates taken covered the end of London tracking. ) UK, Ireland and ECU are quested in US correscy. Forward premiums and discours apply to the US dollar and not to the individual currency.							

Origi AKG-INDI

Three Six Months Months

CLL.00 a.m. July 220 3 months US dollars

								and Japa	wate Ye	i; others,	lwo days	not!
		_		_				RAT	_			
July.22	1	5	944	Yes	F Fr.	S fr.	N FI.	Lin	C	B Fr	Ptg.	L
Ē	1 894	1.904	2.633 1.489	241.5 126 B	9.570	2.515	1195	2148	2.266	58.35	181.6	Ļ
ОÑ	853	0.672	1	85.25	5.025 3.378	0.888	1 678	1129 758.2	1.190 0.800	30.65 20 60	95.38	0.7
YEN F.Fr.	4 141	7 884 1,990	1173 2963	1000 252.4	39,63	10 41	1323	8894	9.383	241.6	752.0	5.7
3 Ft.	0.398	0.757	1159	96.02	10 3 805	2,628	3.339 L270	2245 854 I	2.368 0.901	60 97 23 20	187.8	1.4
N FR.	0.313	0 596	0 687	75 54	2995	0 787	1	672.3	0.709	18 26	56 84	0.4
Ura	0.466	988 0	1.319	1124	4 455	1 171	1.497	1000	1 055	18 26 27.16	84 54	06
ES BFt.	0.441	0 840 3 263	1 250	105.6	4 22	1.110 4.310	1.410 5.476	947,9 3681	3 883	25.75 100.	80 14 321 2	23
Pta	0551			413.9	16,40							

LIFFT LINE CO.T FUTURES OFTENS	LIFFE US TREASURY BOND FUTURES OF
CEN ODD 4 48th of 1000	\$100,080 64ths of 180%

	FINANCIAL FUTURE		LIFFE BUTHO FUTURES OPTIONS
	LIFFT LONG COLT FOTURES OFTENS E50,000 6489 of 100%	LIFFE US TREASURY BOND FUTURES OPTIONS \$100,000 640s of 180%	OM250,000 points of 108%
	Strike Calls-settler/ens Processimens Proce Sea Dec 569 Dec 95 3-95 4-12 0-40 0-18 96 2-48 3-23 0-46 0-29 97 1-55 2-36 0-13 0-42 97 1-55 2-36 0-13 0-42 97 0-37 1-23 0-59 1-29 100 0-16 0-60 1-38 2-42 101 0-07 0-40 2-29 2-46 101 0-07 0-40 2-29 3-45 Estimated volume total Calls 2538 Pros 3220 Previous tay's open int. Calls 64263 Pros 59811	Suffix   Calls-actifements   Puts-settlements	Surfice Calif-settlements Puts-settlements Sep Dec 9550 1,77 2,79 0 02 0.10 8660 12.91 1.95 0.10 0.25 65700 0.88 1.19 0.23 0.45 8750 0.23 0.85 1.25 0.85 0.23 0.85 0.85 8850 0.10 0.56 0.85 0.85 8850 0.05 0.05 0.45 1.30 1.14 8960 0.02 0.25 1.30 1.14 1.95 1.30 1.14 1.95 1.30 1.14 1.95 1.30 1.30 1.30 1.30 1.30 1.30 1.30 1.30
i )	LIFFE EXICULATE OFTICES COllar points of 198%	LIFFE TIME IN SOUT. MIND (UTF) FUTURES OPTIONS Ling 250m 108ms of 108%	LIFFE SHORT STERLING OFTEINS Ison/Add points of links
	Surite   Calits-etrilements   Puts-etrilements	Description   Pursertilements   Pursertilement	Calib-setzlements
	LONDON (LIFFE)	CHICAGO	Wester VOX (III)
	£50,000 32nds of 100%	U.S. TREASURY BOARD ICENT ITS \$180,800 Elect of 100%. Close Mich Low Pres.	Y12.5c S per Y180  Close Higs Low Pres.
	Sep 48-21 98-39 98-29 98-22 Det 98-29 98-29 98-24 98-27 Estimated volume 41464 (3)1119 Previous day : open nat. 5-3959 (55086) US TREASURY BORDS 84. \$100,400 32mb of 100%	See 103-00 103-02 102-10 102-13 Dec 101-25 101-27 101-43 111-45 Mar 100-20 100-21 100-14 111-45 Jun 99-16 99-16 99-09 99-29 See 99-15 87-15 97-47 96-30 Dec 99-15 87-15 97-47 96-30 56-19 98-24 98-30 98-29 Dec 99-15 87-15 97-47 96-30 See 103-00 103-02 See 103-00 103-02	Sm 0.7879 0.7972 0.7844 0.7971 br: 0.7867 0.7901 0.7840 0.7958 May 0.7868 0.7958
:	Sep 102-22 103-22 102-10 102-13 Dec 101-13	Nam 95-26 95-09 95-09 94-19 94-17 94-00	Close Miles Lear Pre- ing 0.6664 0.6649 0.6623 0.6653 Oec 0.6563 0.6568 0.6522 0.65552
1	Estimated volume 608 (1054) Previous day's open rat. 3438 (3524) 6% Notional German Govt. Mono	H.S. TREASURY BILLS COMED Sim points of 100%	06: 0.6563 0.6568 0.6522 0.6552 0.6471 0.6466 0.6440 0.6460 0.6590
•	DM250,000 100ttm at 100% Close High Low Pres	No. 96.64 96.65 96.64 96.63 Dec 96.64 96.65 96.61 96.60 Mar 96.54 96.54 96.51 96.50	Marie 1981 M TOLK LIGHT TREATH EDINORITY IN COMPO
	Sep 87.25 87.41 87.05 87.17 Det 87.79 87.91 87.64 87.71 Estimated volume 66.408 (351.58) Previous days open int. 11.0743 (11.9531)	300 96.24 96.24 96.21 96.23 SECTION PRINTED COMM	See 96.53 96.54 96.51 96.53 Dic 96.10 96.11 96.07 96.07
-	AS NOTIONAL LINE TERM SAPANESE SINT.	Sa per £	Now 95.06 96.07 96.09 96.03 1.00 95.76 95.77 95.70 96.71 95.35 95.34 96.37 94.76 94.78 94.
	Close High Low Sep 104 25 104 37 104 24 Dec 103 70 Estimated volume 960 (1137)	Cente High Law Pre- Sine 1,8872 1,8956 1,8790 1,8890 Drs. 1,8562 1,8610 1,8500 1,8584 Mar 1,8288 1,8310 1,8250 1,8312	#15 94.54 94.58 94.57 ### 94.24 94.25 94.18 94.18 STANDARD & POORS 500 DIDDEX
	Traded exclusively on APT	SPINES FRANC COME SF: 125,800 S per SF;	SSEO times judge.  Classe - Righ Low From.
5	ECU 200,800 108ths of 180% Class High Low Free 97.62 N	Sep 0.7528 0.7565 0.7475 0.7485 0.7483 0.7528 0.7545 0.7380 0.7484 0.7380 0.7386 0.7302	Sep 410.35 412.15 409.60 413.15 Dec 610.75 412.95 410.10 413.60 Mar 411.45 - 411.20 414.30 Jne 412.40 - 412.00 414.90
1	A Estimated valeme û tûl Pravious day's open im. û tûl	PHILADELPHIA SE 4/3 OPTEMS	
•	12% NUTTOWNL ITALIAN COYT, MINO (UTP) - LIRA 208m 108ms of 100%	Strike Calin	Puts
	Close High Leve Pres. Sao 93.19 93.55 92.60 93.05 Det 93.98 93.92 93.92 93.90 Extinated volume 31.866 (35673) Previous Sario open Int. 36368 (38725) THERE MODERN STERLING	Fritz Ass See Bot 1825 7.70 7.84 8.02 1 1850 1.842 5.82 6.16 6 1.87 1.97 1.90 4.57 1.90 2.11 2.77 3.34 1.925 1.15 1.85 2.44 1.99 0.36 1.16 1.76 2.44	Des Aug See Bit Des (26 029 115 221 1.95 5.57 0.70 116 3.09 5.08 112 120 120 120 120 120 120 120 120 120
	L90,000 pelats of 180%   Close   High   Like   Prev.	E-976 0.21 0.68 E.15 : Previous day's open int: Calls N/A Puts N/A (All curre Previous day's volume: Calls N/A Puts N/A (All curre	L68 8,07 9.46 11.12 13,36 encisi
	20 100 70.70 70.70 100 100 100 100 100 100 100 100 100 1	PARIS	
	Dec 90.93 90.95 90.97 90.93 Est. Vol. (Inc. ligs not showed 49827 (52081) Previous day's open (of. 2221,77 (2,7793)	7 to 18 YEAR 18% HOTTOMAL PREMICE WAND GRATE Open Sets price Diang	e Kigh Law Yield Byen les.
	THREE MONTH EUROPOLLAR  Sing powers of LOD'S  Close High Low Pres.	Systember 105,95 105,62 40.1 Dromber 106,32 106,14 40.1 May 106,72 106,54 40.1	0 106.20 105.34 9.06 134,878 0 106.46 105.80 9.01 43,429 0 106.82 166.30 8.95 9.189
	Sep 96.53 96.53 96.52 96.52 Dec 96.08 96.10 96.07 96.06 Mar 96.04 96.04 96.03 96.02	Estimated volume LBG, 950 Pres. day Total Opes Inter- THECK MINISTER PURISHED GRATIFS (Park Edia	lask ellered retal
:	Est. Vol. (Inc. Figs. oct stownó 876 (1550) Previous day's open inc. 27527 (27477) THIVEE MONTH COMMANDS	September 89.00 89.76 -0.0 December 90.03 89.98 -0.0 Murch 90.35 90.31 -0.0 June 90.36 90.37 -0.0 Estimated volume 27,913 Prev. day Total Open Interest	90.07 89.95 9.96 22.934 1 90.41 90.28 9.67 5.813 1 90.66 90.55 9.42 1.704
	DM Inspends of 100%  Come High Low Pres Sep 90.21 90.26 90.18 90.23  DM 90.41 90.46 90.35 90.42	CAC-40 FUTURES (MATER) Stant main July 1767.0 1740.0 -35.0	1773.0 1736.0 - 18,450
	DK 90.41 90.48 90.39 90.42 Mar 90.81 90.87 90.77 9082 Jun 91.13 91.18 91.10 91.13 See 91.28 91.40 91.38 91.38 Dec 91.34 91.34 91.36 91.30	July 1767.0 1740.0 -35.0 August 1763.5 1795.0 -36.1 September 2800.0 1770.0 -38.1 Estimated witness 26,056 Prev. day Total Open Laborat UCO 00000 Data (TEXT)	1800.0 1770.0 - 4,646
	Estimated column 53601, 091939 Provides day's earn (#2, 341475 CA1796) TRIVES Molitific SCO	September 102.84 102.68 0.00 December 103.90 102.86 0.00 Ealman tolera 10,070 Prev. day Tetal Open Incorp.	103.20 102.54 9.56 12,945 103.30 103.30 9.53 20
	ECU In points of 100%	DEVION DE LONG-TUDE FRENCH SOND GLATOF	
:	Clean High Low Prev. See 89.26 89.33 89.18 89.26 Dec 89.60 89.63 89.50 89.59 Mai 90.11 90.11 90.03 90.10	Syltis September Disseller	Public September Describer MANA

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BASE	LENDING	RATES

0.50 0.81 1.20

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& Bank	М	Dao Heng Bank Plc	Ц	Moont Banking
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A. C. Mireturit Bark	10.5	Ecuatorial Bank of	10	Northern Back Ltd 10
ark of Barota	10	Exeter Bank Lipsites	10.5	Nykredit Mortgage Bank 10.5
uco Bilbao Vizraya	10	Financial & Gen. Bank	10	Provincial Bank PLC 14
ask of Cypros	10	Robert Flensing & Co	10	Rea Brothers
unk of ireland	10	Robert Fraser & Pters.	10.5	Rosterghe Bank Lid. 11
ok of India	10	Girobank	10	Royal 8k of Scotland 10
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it Bit of Mid East	10	Hampshire Trest Pic	13.5	Velksok plc
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etts & Co	10		10	
ATT At he worth solver 4	10	Megeraj Bauk Ltd	10	Banking & Securities Houses
		unchinal cent res	10	Association.

## The European Watcomi Pond NOTICE OF MEETING THE EUROPEAN WARRANT FUND Societé d'Inventione 45 rue des Sellas L-2529 Luxembourg-lies

NOTICE is hereby given to the Shareholders that the ANNUAL GENERAL MEETING of THE EUROPEAN WARRANT FUND ("the Pand") will take place at the Fund a Registered Office at 45, ran des Scilles, Hosseld, Learnshourg on Friday, 31st July 1992 at 4.00 p.m. with the purpose of considering and voting upon the following agenda:

ion of the Report of the Board of Direct 2. Approval of the Armual Report for the year ended 31 g 14 3. Discharge of the Directors:

5. Azıy other Businese.

AN EXTRAORDINARY GENERAL MEETING, of the Sheechildess of the Funst will being at immediately thorougher at 5 p.m. to consider the following a spende:

Amendment to Article 23 of the Articles of Incorporation by election in the first sentence of the words "or proviously repurchased shares of the Corporation shell be offered by the Corporation for safe" and by intercion of a new sentence which shall read as follows: "In the every of a result of abstract proviously repurchased by the Corporation, the safes prior to be received by the Corporation for such shares may be lower than the pre-cases when thereof, but shall not be lower than the pure asset value thereof, but shall not be lower than the purest blot size occupied by the A letter to Shareholders explaining the mesons for the change to the Articles is report at the maistened office of the Fend.

Resolutions on the agenda of the Annual General Meeting will require no quarum and will be taken at the majority of the Shareholders present or represented. Resolutions on the agenda of the Estreordium; General Meeting will send a quarum of 50 per cent. of the shares outstanding and will be taken at 'h majority of the votes cust.

A Shareholder cratitled in situad and vote at the meeting may appoint a proxy to staend and this behalf and such proxy need not be a Shareholder of the Fund.

TH WORLDWIDE STRATEGY Registered Office : 13 rue Goethe L-1637 Lexembourg R.C. Lexembourg B 28.887

**Appointments** Advertising NOTTCE OF SUSPENSION

appears every Wednesday & Thursday Friday (in the international

edition only)

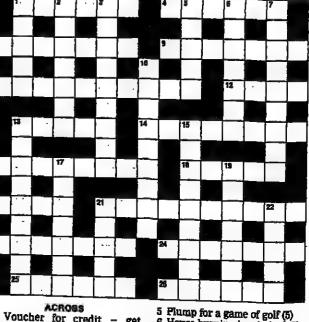
BY ORDER OF THE BOARD

NatWest Crown Reserve Presiali & Co Ltd 7 05 1 6.62

# CROSSWORD

JOTTER PAD

No.7,906 Set by GRIFFIN



1 Voucher for credit - get £1,000 off: (5) 4 Wine vaults? (6)

4 Wine vaults? (6)

8 Grasping back pill approach animal (7)

9 Left in attractive railway can
10 In Everest touring party he's the one unloading things (9)

13 Thinnest weapon in a weapon

teen (7)
11 Is put to be shuffled and dealt
15 Divorcee writes "I have, dear"

11 Is put to be shuffled and deart out as required (10)

12 Eager Asian guerfilla leaders retreating shot (4)

13 "She's back!" I grumble (5)

14 One loveless stranger is even embracing an Austrian (8)

16 Whispered "the money's outside" (8)

side" (8) 18 Irishman's temper (5) 18 irisaman's temper (5)
20 Weeps "that smell's back on board!" (4)
21 They kill stray fishermen, but

not always (10) 23 Row about stray dog (7) 24 Pink gin poured out for most important person (7)
25 Fight to let us sleep in (6)
26 Extremely good man in church room (6)

church room (6)

Down

Leaflet on model farm
vehicle's turned up (5)

When in company plays stirring music (7)

He bills me for coming round

Solution to Puzzle No.7,905

6 House burning is criminal (7) 7 Lousy rise thrown out in ear-

# MONEY MARKETS

# **Bearish sentiment**

SENTIMENT IN the sterling money markets remained bearish yesterday after the June figure for Germany's M3 money supply growth came in at 8.7 per cent, well above the Bundesbank's target. Dealers fear that monetary

growth will force the German central bank to raise the Lombard rate when it meets again next month. There was light relief in the market after the Bundesbank decided to inject DM7.7bn into the banking system, in what was seen as an attempt to push German call money rates away from the Lombard rate of 9.75 per cent. But there is still an outside chance of another monetary tightening.

UK clearing bank base landing rate from May 5, 1992

The market was also unnerved by the Bank of Spain's decision to drain overnight funds from the interbank market at 12.75 per cent, compared to 12.45 per cent previously. The move was interpreted as signalling monetary rigour.

Both the German and Spanish developments are certain to put pressure on sterling in the European

pound again looked weak yesterday, closing a pfennig down on the day. One clearing bank dealer said the UK June trade figures, which showed a widening of the visible trade deficit to £0.9bn, had little effect on the money market. "Sentiment now is driven by

Germany and the EMS issue, and little else," he added. Cash rates ended mostly unchanged, with everything from two-month money out to one-year at 10% per cent on the offered side. The flat yield curve indicated how bearish dealers are about the chance of a base rate cut, even in the

long term. Futures trading was more exciting. The September short sterling contract opened at 89.73 and ranged up to 89.78 in the morning on technical trading. The German M3 news quickly pushed it down, as did rumours that the Bank of Italy will devalue at the weekend The front-month contract closed at its low of 89.67.

The Bank of England's operations were straightforward after the authorities forecast a shortage of £550m. The Bank purchased £403m of Band 1 bank bills at the established rate of 9% per cent. In the afternoon, the Bank bought £146m of Band 2 bank bills, also at 9% per cent.

The fixing rates are the arithmetic means counsed to the nearest one-stonessth, of the bid and offered rates for \$10m unused to the marking day. The banks are Rational Westminster Bank. Bank of Tokyo. Destyche Bank. Bank per to Tokyo. Destyche Bank. Bank per to Paris and Mongan Gearanty Trest. **MONEY RATES NEW YORK** Treasury Bills and Bonds Three year...... First year ....... Seven year...... 10-year ....... 30-year ...... 970-980 104-104 84-84 9.47-955 411-417 911-94 104-104 9 70-9.80 101:-104 84-84 9.45-9.53 411-415 184-1814 91:-94 10.2-10.3 9.70-9.80 10%-10% 9.65-9.75 417-181 713-81 9.43-9.50 416-419 1413-1515 \* 10-4 60 20-2-20-2 104-104

FT LONDON INTERBANK FIXING

Estimated volume 1499 (1273) Provious day's open Int. 10134 (9937) THERE MONTH EDING SWISS FRANCES

Estimated volume 8813 (1964) Previous day's open int. 41442 (41550) her putch of 100%

Esurcased volume 4537 (5427) Previous day's open int. 20765 (19627)

Contracts traded on APT. Closing prices the

1-mets. 3-mets. 6-mets. 12-mets. 1.892s. 1.8709 1.8413 1.7905

POUND - DOLLAR

FT FEREN EXCHANGE RATES

FT-SE 100 INDEX

Jul 22	Overnight.	7 days notice	Momth	Three Mont/E	Si.c Manths	Vear Vear
interbank Offer interbank Bid Sherling CD. Sherling CD. Speal Authority Deps. Speal Authority Bonds Discount Mirt Deps. Company Deporits Finance House Denosits freesury Bills (Buy) Bonk Bills (Buy) Speal Bills	10 10 10 10 10 10 10 10 10 10 10 10 10 1	10 95 97 97 97	1000 - 1000 - 2000 - 2000 - 2000 - 1000 - 20	10-4-10-11-11-11-11-11-11-11-11-11-11-11-11-	100 - 100 -	10 % 10 % 10 % 10 % 10 % 10 % 10 % 10 %

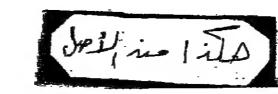
trader rate of discount 9.4960 p.c. ECGD Fixed Rate Sterling Erport Finance. Make up day June 30, 1992. Agreed rates for sevend July 26, 1992 to Angust 25, 1992. Scheme 1: 12.29 p.c. Scheme 1: 12.29

It is hereby advised that dealing in the Japan Fand, the Far East Fund, the UK Blue Chip Fund and the UK Special Opportunities Fund will be aspended on Monday, 20th July 1992. This attengement is approved by the Directors to ensure an equitable dealing policy. July in 1 de

IN DEALING

712.90 (20/7)

546 63 (141)



# FINANCIAL TIMES THURSDAY JULY 23 1992 WORLD STOCK MARKETS 00x 168 -1.10 2.524 -1.7.49 702 -5 702 -5 702 -5 132 10 -2.7.49 702 -5 132 10 -0.90 222 225 10 -0.90 222 235 10 -1.5 24 25 10 -0.90 222 25 10 -1.5 300 Lauren Bk \$173, 17%, 17%, 17%, 10% 10000 Laurent Gp \$55%, 55%, 55%, 55%, 800 Laurent Mar \$25%, 25%, 25%, 25%, 111500 Lobiaw \$167%, d16%, 16%, 16% TORONTO 31 \$5<sup>1</sup>/<sub>2</sub> \$12<sup>3</sup>/<sub>4</sub> \$6<sup>3</sup>/<sub>2</sub> \$7<sup>1</sup>/<sub>4</sub> \$43.1<sub>2</sub> 220 7/600 [Aachenzie 257] 514 57] 247:00 [Alacm B] \$18 1712 175] 72900 [Alacm B] \$18 1712 175] 194600 [Alah I Tell S 515] 154 154 2500 [Alah I Tell S 515] 154 154 2500 [Alah I Tell S 515] 154 154 2500 [Alah I Tell S 515] 145 152 2500 [Alach I Tell S 514] 147 127 2500 [Alach I Min S 147] 135 135 2100 [Alach I Min S 147] 135 135 2100 [Alach I Min S 167] 154 154 45000 [Alach I Min S 167] 154 157 45000 [Alach I Min S 167] 154 157 45000 [Alach I Min S 167] 154 157 45000 [Alach I Min S 167] 157 4500 [Alach July 22 Fri. + Br Adia (Pig Cis) ... 29 50 -4 50 Adia Inti (Br) ... 196 -22 Alemisse-Lut Br ... 422 -16 Alemisse-Lut Br ... 405 -10 Baloise (Pig Cis) ... 1800 +20 Brown Bower (Br) ... 3870 -29 Brown Bower (Br) ... 370 -29 CS Hidgs (Br) ... 1,700 -20 CS Hidgs (Br) ... 1,700 -20 CS Hidgs (Br) ... 1,700 -20 Cha Geigr (Br) ... 624 -12 Cho Geigr (Br) ... 641 -12 Elektrowart (Br) ... 1,510 -15 Fischer Geo (Br) ... 1,020 -20 Fischer (Pig Cis) ... 1,510 -15 Fischer Geo (Br) ... 1,020 -20 Fischer (Pig Cis) ... 1,510 -15 Fischer Geo (Br) ... 1,920 -20 Fischer (Reg) ... 1,930 -15 Jelmoli (Br) ... 1,935 -25 Jelmoli (Br) ... 1,935 -25 Jelmoli (Br) ... 1,235 -25 Jelmoli (Br) ... 1,235 -25 Jelmoli (Br) ... 280 -15 Jelmoli (B Frs. + ar -1100 FPI LId 300 200 300 16400 Fahmsinivnr 30½ 8½ 8½ 8½ 15½ 15½ 15½ 55000 Fai Isara & 510½ 10½ 10½ 10½ 3000 Foirs \$22½ 22 2500 Foir Seaso \$18½ 17½ 17½ 4500 Francolior \$30½ 30½ 30½ 30½ 45700 Nat St. Can 18800 Norm Ind A 500 Normala 200 Normala 200 Normala 18300 Normal 18300 Normal 18300 Normal 200 Normal 12 \$17 415 139 \$14% \$51<sub>2</sub> \$6 11 17 405 137 14<sup>1</sup>2 5<sup>1</sup>3 6 MONTREAL ት: ሁኔተታታለቁቸው 5 53300 Imasco -5500 imp Gil 337100 inco 105000 imi Cerana 5600 Imitures 7 3600 Interprise 580 Invest Gro 580 Invest Gro 580 Invest A SRUIC Sagers Saint Gobain Saint Gobain Saint Gobain Saint Gobain Sanni S INDICES NEW YORK 3277 61 3308 41 3303 00 3331.64 3433.21 3172 41 (16) 12/15 101 44 101.39 101 17 101 17 102.17 (26) 12/17 (26) 12/17 (26) 12/18 Banesto GEPSA Carburos Metal Cublertas Dragados Euro Agricolas Electra Viesgo Endesa (Br) Fetas Grapo Duro Fetg Hidroel Cantabr Iberdoola Kolpe Magire Metrosoccia Fetola Vale Repool SANACE Sarvio Sarvio Sarvio Sarvio Union Fetos Union Se Z Valichermoso Viscotan Ramf + nr... 8 55 -0.15 ... 7.25 -0.25 ... 102 ... 100 ... 1115.50 -2.25 ... 210 -3.50 ... 210 -3.50 ... 210 -3.50 ... 215 -0. STANDARD AND POOR'S HEX GREEN (28/12/90) FRANCE CAC Seneral (31/12/82) CAC 40 (31/12/87) 727 6 935 90 (24/2) July 22 394.50 18/4) 570.91 68/4) 32.40 18/40 217.92 68/4) 374.04 126/6) 547.84 (26/6) +0.30 +1 -0.70 July 22 175.50 -3 645 -23 760a -20 2,035 -38 500.50 -8 538 -6 538 -2 254 -5 372.50 -3 372.50 -3 374.50 -3,50 374.50 -1,50 400.50 -11,50 400.50 -11,50 400.50 -12,50 505.50 -1 240.50 -4 444 -4 246 -2 104 -2 104 -2 105 -1 105 -Rinascen SASIB ... SIP .... Salfa A . -0.10 384 Jul 1 year ago (approx.) 606.79 605.16 602.76 605.33 619 06 (20/2) 115074799 :p : **NEW YORK ACTIVE STOCKS** TRADING ACTIVITY July 22 + 24 + 3 - 1 - 14 - 35 - 14 + 13 - 14 191 421 173 800 165 730 10.451 15.784 9 800 (a) 155 318 117 834 New York SE Ames NASDAQ JAPAN 216.16 220.5% 217.87 223.54 266.51 (28/2) 676 1 -0.02 -0.03 -0.03 -0.00 1799.75 1803.04 1826.50 1836.72 1937.59 (Jaj.1) 1727.04 (B)40 Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Alexais – 1000 Toronto Indices based 1975 and Monural Portfolio 4/1/83. † Excluding bonds: † Industrial, pins Utilities, Financial and Transportation (c) Closed. (u) **TOKYO - Most Active Stocks** (Excuse us for asking) IS THIS YOUR OWN **COPY OF THE**

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**FINANCIAL TIMES** 

NEW YORK STOCK EXCH <sub>34</sub>  $\Phi\Phi$ | The price | The NEW YORK STOCK EXCHANGE COMPOSITE PRICES ORK STOCK EXCHANGE COMPOSITI

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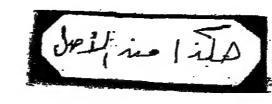
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# NASDAQ NATIONAL MARKET STATE OF THE PROPERTY NYSE COMPOSITE PRICES NASDAQ NATIONAL MARKET TYPE COMPOSITE PHICES TO A 15 TO 16 Feb. 10 F Yld. Pf. Sie Close Prev. 1992 Div. % £ 100s High Lew Quota Close High Low Sleek Continued from previous page annust debursemente besed on the latest declaration, besse figures are unofficial. a-dividend size vira(s), b-annuali rate of dividend plus stock dividend, c-liquidating dividend, cid-celled, d-new yearly low e-dividend declared or paid in preceding 12 morthus, g-dividend in Canadian funds, subject to 15% non-repidence tax. I-dividend declared after spill-up or stock dividend, -dividend paid this year, on the dividend paid this year, on the dividend meeting. I-dividend declared or paid this year, an accumulative issue with dividend in arrears, n-new issue in the past 32 neels. The high-low range begins with the start of brading, non-next day delivery. PET price-errange ratio, -right and declared or paid in preceding 12 months, plus stock dividend a-stock spill. Ohrdende begin with date of spill, alte-sales. I-dividend paid in stock in preceding 12 months, stockwards cash value on ex-dividend or ex-distribution date. Levelow yearly high s-trading latted, vi-in bankruptcy or accelerating or being reorganised under the Benfurghty Act, or securities assumed by such companies, w-d-dividend or as-rights with securities assumed by such companies, w-d-dividend and extend to the first term of the such warmans. Acc-dividend or as-rights with securities assumed by such companies, w-d-dividend and extend to the first term of the such warmans. 3012-224 University of the State of the Stat Harris Gr. 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The Financial Times reaches more senior European busines, executives whose job responsibilities involve taking strategic decisions about the international operations of their company than any other English language international publication.\* For more information on how to reach this important audience, please confider Elizabeth Vaughun Tel 071-873 3722 Fax: 071-873 3426 or write to her at Financial Times Ltd., Number One Southwark Bridge, London SEI 4811. 6 4 6% 84 84 | Rambow | 21 | 100 | 17 | 15 | 17 | 14 | | Rallys | 36 | 742 | 27 | 42 | 27 | 15 | 17 | 14 | | Rallys | 36 | 742 | 27 | 42 | 27 | 15 | 14 | | Rallys | 36 | 742 | 27 | 42 | 27 | 15 | 14 | | Rallys | 36 | 742 | 27 | 42 | 27 | 15 | 14 | | Rallys | 36 | 742 | 27 | 42 | 15 | 15 | | Rallys | 36 | 742 | 17 | 42 | 15 | 15 | | Rallys | 37 | 28 | 17 | 18 | 18 | 18 | | Replicat | 37 | 28 | 17 | 18 | 18 | 18 | | Replicat | 37 | 28 | 18 | 18 | 18 | 18 | | Replicat | 37 | 28 | 28 | 28 | 28 | 18 | | Replicat | 37 | 28 | 28 | 28 | 28 | | Replicat | 37 | 28 | 28 | 28 | 28 | | Replicat | 37 | 28 | 28 | 28 | | Replicat | 37 | 28 | 28 | 28 | | Replicat | 37 | 38 | 38 | 41 | | Replicat | 37 | 38 | 38 | 41 | | Replicat | 37 | 38 | 38 | 41 | | Replicat | 37 | 38 | 38 | 41 | | Replicat | 38 | 38 | 38 | | Replicat | 38 | 38 | 38 | | Replicat | 38 | 38 | 38 | | Replicat | 38 | 38 | 38 | | Replicat | 38 | | - 4 0.26 23 11 9.25 16 195 12 139 5 59 0.05 18 270 1 46 11 33 0.29 18 60 0.29 18 68 0.31 33 1004 GET YOUR FT HAND DELIVERED IN COPENHAGEN, AARHUS AND ODENSE. If you work in the business centres of Copenhagen, Aarhus and Odense, we'll deliver your daily copy 16 k 18 k 10 k 18 k 10 k 18 k 10 k 17 k 10 k 17 k 10 k 12 k 10 k 12 k 10 k 12 k 10 k 13 k of the FT to your office at no extra cost. Call Erna Pio for details on Copenhagen 3313 4441. SEC Comm Dashforg Dashford Das K Swins Ames Co. - 1.1 Earth Or Kertey Cu. - 2.1 Earth Or Kertey Cu. - 2.1 Earth Or Kertey Cu. - 1.2 Earth Sr. - 1.3 Earth Sr. - 1.4 Earth Sr. - 1.5 Earth Sr PS Fin +l<sub>4</sub> -l<sub>1</sub> -l<sub>2</sub> +l<sub>3</sub> +l<sub>3</sub> Saleco Cp -l<sub>4</sub> Severana FINANCIAL TIMES | 0.44 | 11306 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | or contact your usual Financial 46<sup>1</sup>2 14 16<sup>1</sup>2 32<sup>5</sup>6 7<sup>1</sup>6 35 16<sup>1</sup>6 27<sup>1</sup>6 22 Times representative. Data source \* EBRS 1941 Perrier buttle ends with something for everyone. **FT SURVEYS**

# Foreign losses spark selling in New York

## **Wall Street**

LOSSES ON overseas equity markets, prompted by concern about the global economy, led to heavy selling of US stocks yesterday, writes Patrick Harverson in New York.

At the close the Dow Jones Industrial Average was down 30.80 at 3.277.61, its lowest level for more than a month. The Standard & Poor's 500 fell 2.83 to 410.93, while the American SE composite lost 1.65 to 383.17 and the Nasdaq composite 4.75 to 563.88. Turnover on the New York SE amounted to 191m

shares. In Tokyo overnight, stocks tell to their lowest levels for six years, which sparked a sell-off in major European markets. That set the tone for a weak opening in the US, and within the first few minutes the Dow had registered a 20point decline.

The selling spread throughout the market and, as on Monday, motor shares were partic-

Ford receded \$1% to \$42% in turnover of 2.2m shares, General Motors weakened \$% to \$38% in similarly active trading, and Chrysler slipped

Bankers Trust climbed \$% to

yesterday, dragged down by a 2.3 per cent drop in both Telmex and Cemex B shares.

Cemex CPO shares - those held in a special trust for forper cent at one point, as Morgan Stanley, previously a staunch Cemex supporter, failed to endorse the company in a report. By 10.30 am local time they had recovered to

stand 5.3 per cent lower. Foreign investors have recent decision to buy Spain's The industrial index fell 57 to Sanson and Valenciana.

gain in second quarter net income to \$205m. Banc One dipped \$3 to \$43% after announcing the 3125m acquisition of Illinois-based Pirst Community Bancorp, which forged ahead \$8% to \$26%, and a joint venture with three other regional banking groups to form an electronic payment

Other bank stocks lost ground, with Wells Fargo retreating \$1% to \$69%, Chemical \$1% to \$34%. BankAmerica Sta to \$44% and Chase Manhattan 81/2 to \$25%.

Compaq jumped \$3 % to \$27% on reporting second quarter net income of 35 cents a share, up from 23 cents and well

Upjohn rose \$114 to \$33% in active trading after the company said its scientists had created a compound which it believed is more potent in blocking the growth of the HIV virus than its AZT drug.

Harley-Davidson advanced \$21/4 to \$271/4 on news of second quarter operating income of 49 cents a share, up from the 45 cents recorded a year earlier.

## Canada

TORONTO closed lower after moderate trading. The TSE 300 index declined 13.1 to 3.413.1. MEXICO'S stock market fell while falls outscored advances 1.3 per cent in early trading by 306 to 238 after volume of 23.9m shares valued at

Imperial Oil gained CS% to C\$44%. The company reported a second-quarter profit of 30 eign investors - were down 10 cents a share, compared with year-earlier earnings of 3 cents.

## **SOUTH AFRICA**

JOHANNESBURG fell in line with world markets, though a late rise in the gold price limited the drop in the gold index reacted negatively to Cemex's to 10 points, closing at 1,111. 4,156 and the overall index

# Fears of further German rate rise upset bourses

FEARS that the Bundesbank would be forced to raise the Lombard rate added to the negative factors weighing on continental equities, writes Our Markets Staff.

FRANKFURT was depressed by disappointing money supply igures, a downgrading of Thyssen and poor car registration figures for the first half. The DAX fell 31.55 or 1.9 per cent to 1,628.22, its lowest close since mid-January, while the FAZ was 7.28 lower at 649.04 by midsession. Turnover fell to DM6.3bn from DM6.9bn.

The 8.7 per cent growth in M3 money supply in June, lit-tle changed from May, upset the market which had hoped a month-on-month

There was active trading in Thyssen after analysts cut their recommendations from hold to sell following a meeting with the steel group on Tuesday. Analysts are now forecasting that Thyssen will cut its 1991/92 dividend by up to DM2 from DM10 a year earlier. The

Hourly changes Open 16.30am 11 am 12 pm 1 pm 2 pm 3 pm close 1055.85 1064.92 1054.28 1058.88 1058.08 1059.72 1058.80 1060.97 Day's Low 1057.34 Day's High 1065.89 Jul 16 Jul 20

FT-SE Eurotrack 100 - Jul 22

shares lost DM15.40 or 6.9 per cent to DM207.60, but off the day's low of DM205. Other steel groups weakened with Hoesch down DM6.10 at DM235 and Kloeckner-Werke losing DM8.50 to DM100.

Car shares fell after the release of figures showing a 9.2 per cent decrease in new registrations for the first six months. Daimler-Benz lost DM14 to DM705.50, Volkswagen fell DM9.90 to DM354 and BMW shed DM5.50 to DM538.50. After the close, Volkswagen said that its share of the West European car market had risen to 17.8 per cent in the first half of 1992 from 16.7 per cent last

PARIS dropped to its lowest level since Christmas, as the CAC-40 index ended 35.18 or 2 per cent lower at 1,727.49 on turnover of FFr2.63bn. Alcatel remained busy on

arbitrage-related business, falling FFr11 to FFr613, but the FFr31 fall in BSN to FFr1,059 reflected genuine disinvest-ment by investors reducing their exposure to the market. An increasingly bleak outlook for the luxury goods market prompted selling of LVMH which closed FFr102 lower at

Euro Disney fell a further FFr2.75 to FFr97.25 on a growing consensus that the theme

reduce prices.
MILAN continued to fall, with the banking sector particularly badly hit by fears of mounting bad debts following last Friday's compulsory winding up of Efim, the state industrial holding group. The Comit index fell 1.95 to 409.76 in turnover estimated at L100bn after Monday's L136bo.

The banking sector fell 1.85 per cent, with Banca Commerciale Italiana, which is said to have the biggest exposure to Efim among the domestic banks, falling L119 or 4.7 per cent to L2,401. Credito Italiano and San Paolo, which reportedly have smaller loans to Efim, fell L40.5 and L25 to Lt 310 and Lt0.075 respectively.

Benetton dropped L840 or 7.3 per cent to L10,700 on a domestic newspaper report that the company had sacked its managing director. After the close the company confirmed that Mr Emilio Fossati had resigned, but under amicable

ZURICH was generally

declined 27.4 or 1.5 per cent to 1,757.1. Union Bank led the sector lower and its bearers fell SFr7 to SFr684. Among insurers, Zurich bearers lost BFr20

to BFr1,795. AMSTERDAM retreated, the CBS Tendency index closing down 1.1 at 116.5. Fokker fell 40 cents to Fl 29.20 on fears that talks between Dasa of Germany and

the Dutch government might

break down when they resume today. Among multinationals Uni-lever lost Fl 2.40 to Fl 180.80 and Royal Dutch shed Fl 1.30 to

FI 145.80. BRUSSELS caught up with world markets after its two-day holiday, the Bel-20 Index fall. ing 25.49 or 2.2 per cent to 1.145.35, its lowest level since January 14. Petrofina fell BFr200 or 1.8 per cent to BFr10.750.

VIENNA fell back, in line with major bourses. The 18-share ATX index lost 8.76 to

weaker and the SMI index names fell Sch50 to Sch3,020. but preference shares rose Sch45 to Sch1.880 after the insurer reported improved 1991

MADRID's general index fell 4.46 or 2 per cent to 216.10 as the market reacted negatively to the government's measures to reduce the budget deficit. In the construction sector FCC los: Pta500 to Pta6,300 and Cubiertas was Pta190 lower at

STOCKHOLM was driven lower by a wave of seiling in the final 30 minutes. The Affarsvärlden index shed 9.0 to 851.1 as turnover remained low at Skr292m.

OSLO's all-share ladex dropped 4.22 or 1.1 per cent to 373.89 in low turnover of NKr117.08m. Norsk Hydro lost NKr3 to NKr145 while Saga Petroleum A shares shed NKr2 to NKr61.5.

ISTANBUL fell 1.3 per cent in trading which concentrated on minor shares. The 75-share index closed down 51.71 at

# Nikkei closes at its lowest level since April 1986

## Tokyo

GROWING pessimism about the economy and corporate earnings prompted a fall in the futures market, and the Nikkei average dropped 2.8 per cent to its lowest level since April 1986, writes Emiko Terazono in

The 225-issue average closed 460,46 down at 15,541.95 on futures-linked arbitrage unwinding and short-selling by investors. The index rose to the day's high of 16,059.61 soon after the opening, encouraged by Tuesday's Wall Street showing. But a fall in the futures market triggered weakness in cash prices, and the Nikkei tumbled to the session's low of 15,432.36 in the afternoon.

Volume increased to 250m shares from 205m, but market participants said the bulk of activity was futures-related. Declines led rises by 876 to 108, with 113 stocks unchanged. A total of 213 issues fell to new

lows for the year. The Topix index of all first section stocks lost 23.63 to 1,205.75, and in London the ISE/Nikkei 50 index slipped 6.06 to 940.11.

Worries about a prolonged slump in the economy and pos-sible downward revisions in corporate earnings sent jitters through the market. Mr Hiromichi Ishikawa, managing director at Yamaichi Securities, commented: "The market will not rebound until we can see a real recovery."

Nippon Life said institutions, especially life assurers, would not commit funds until they believe the risk in the market has faded. "With most of the unrealised gains on stock holdings lost, life assurers cannot take risks on investments," said an analyst.

Analysts said banks, which faced problems meeting capital. ratios set by the Bank for International Settlements due to the sharp decline in hidden assets, were trying to reduce

by selling futures contracts. Mr Jason James, strategist at James Capel, said: "It is a level since November 1986. Volopening but then declined in vicious cycle since a fall in the futures market in turn esses the cash market."

Market participants have become increasingly bearish towards the electronics sector. following last week's disappointing second quarter earnings from IBM.

Analysts expect many of the Japanese electronics groups to be hit by slowing demand and increasing inventories. Hitachi dipped Y4 to Y748 and Fujitsu Y14 to Y569. Rumours that Sony was going to announce a downward revision in its earnings forecast sent the issue down Y90 to Y3,940.

Brokerage houses were also sold on a depressing earnings outlook. Market participants expect their revenues to suffer from the low market volumes. Nomura Securities receded Y30 to Y1,240 and Nikko Securities Y20 to Y511.

In Osaka, the OSE average

ume expanded from 15.8m shares to 23.4m.

Roundup THE REGION'S markets showed mixed performances yesterday, while Hong Kong

was closed down because of the approach of a typhoon. SINGAPORE regained some ground after two consecutive days of declines. The Straits Times Industrial index improved 2.44 to 1,436.90 with some 45.8m shares traded. Among the active issues, SIA put on 20 cents to S\$12.90 and

Industrial Commercial Bank gained 15 cents to S\$6.20. SROUL achieved a 2.7 per cent advance in moderate. trade, the composite index end-ing 14.16 ahead at 526.00. Turnover grew to Won162.96bn from

Won107.53bn. Rises outnum-

bered falls by 680 to 101 and a

total of 248 shares attained

AUSTRALIA saw a strong opening but then declined in reaction to Tokyo's fall. The All Ordinaries index shed a net 2.0 at 1.607.2. Rothmans, down 50 cents to

A\$6.76, registered one of the day's steepest falls after the ignation of the chief executive. This is the first time that the shares have closed below A\$7 since 1987. Banks were mostly weak,

although National Australia Bank added 3 cents at A\$7.90 in the wake of Tuesday's bid for Bank of New Zealand. TAIWAN finished slightly

lower after early buying in low-priced issues failed to boost sentiment. The weighted index lost 4.22 at 4,154.80 and turnover, contracted to T\$18.57bn from T\$23.73bn. Food, plastic, textile and cement shares showed gains

but other sectors fell. NEW ZEALAND'S NZSE-40 index ended 8.43 higher at Carter Holt Harvey firmed 5 cents to NZ\$2.65. Air New Zealand closed at a year's high, up 6 cents at NZ\$2.51.

Independent Newspapers moved up 25 cents to N2\$5.55 on rumours that News Corp might sell part of its 49 per

MANUA closed stronger on bargain hunting. The composite index gained 20.75 at 1,453.79, with Philippine Long Distance Telephone ahead 20 pesos at 1,025 pesos. Combined turnover declined to 313.7m pesos from 371.6m pesos.

KUALA LUMPUR rose in heavy trading, with interest focused on speculative stocks. The composite index moved up 3.63 to 608.79. Extended trading hours, which began yesterday, contributed to the high volume of 166m shares.

BANGKOK's SET index added 3.71 at 757.96 in low turnover of Bt6.42bn. Advancing issues outpaced losers by

# Volume improves in Brussels and Paris John Pitt on a generally depressing month for European turnover

fter the roller-coaster ride of the last few days. June seems a long time ago. Almost lost now in the mists of time was the shock that greeted the Danish referendum result on the Maastricht treaty. The 'No' vote took Europe by surprise, and sent jitters through the finan-

cial markets. With President François Mit-terrand, of France, opting to put the treaty to referendum in September and Prime Minister John Major, of the UK, fending off a revolt among members of his own Conservative party who wished to distance themselves from the Continent, the view took hold that the treaty's political and economic convergence theories were in serious

Consequently, volumes were depressed, with two main exceptions: both Beigium and France registered significant mprovements against May, Elsewhere, turnover shrank by between 18 per cent, in the case of the Netherlands, and 3 per cent, for the UK.

NATIONAL AND REGIONAL MARKETS

Japan (473) Malaysia (69)

Furope Ex. UK (562)..... Pacific Ex. Japan (244).... World Ex. US (1701)... World Ex. UK (1995).... World Ex. So. Af. (2152)... World Ex. Japan (1750)...

Hong Kong closed July 22.

New Zealand (14)...

Australia (89)

Most of the bad news in terms of company projections for 1992 earnings, the decreasing likelihood of an interest rate cut in Germany by the year's end, and a weak economic environment has already been digested by the market," she wrote. The situation in France,

WEDNESDAY JULY 22 1982

DM Index

Currency

Yen Inder

+0.2 110.76 174.02 110.05 125.46 -0.5 121.10 124.68 120.33 120.52 -0.6 114.82 118.20 114.08 111.43 -0.1 99.27 102.19 98.63 109.68 +0.0 185.06 190.52 183.87 185.17 -0.7 58.00 59.71 57.82 63.59 -1.7 119.34 122.85 118.56 120.83 -1.1 94.30 97.09 93.69 93.69 +0.0 195.16 200.91 193.92 248 90 +0.2 123.51 127.15 122.71 125.00 -0.1 48.85 50.26 48.53 52.86 -3.2 72.66 74.80 72.20 74.80 +0.2 123.51 127.15 122.71 125.00 +0.2 123.51 127.15 122.71 125.00 -0.1 48.85 50.26 48.53 52.86 -3.2 72.66 74.80 72.20 74.80 +0.4 139.29 197.95 191.5 237.57 +0.6 1142.65 1176.34 1135.30 4994.85 -1.0 125.05 128.74 124.25 123.00 +0.4 135.58 160.16 154.57 169.71 -0.1 163.07 167.87 162.01 155.67 -1.6 155.58 160.16 154.57 169.71 -2.0 107.07 110.23 106.36 99.40 -1.7 143.67 147.91 142.75 147.66 -1.5 84.89 87.40 84.35 89.29 -1.5 140.77 144.90 139.85 140.77 -0.7 130.36 134.21 129.53 187.37 -1.3 113.67 117.03 112.95 113.73

-0.7 130.36 134.21 122.53 107.37
-1.3 113.67 117.03 112.95 113.73
-1.1 134.50 138.47 133.64 131.83
-2.7 78.15 80.45 77.64 81.52
-2.0 92.51 95.23 91.91 94.84
-0.7 128.41 132.21 127.60 163.45
-1.2 97.22 100.11 96.61 98.11
+0.1 132.25 136.17 131.41 151.26
-1.9 94.08 96.87 93.49 97.31
-1.4 102.28 105.30 101.63 116.50
-1.4 105.30 108.42 104.63 116.50
-1.4 105.30 108.42 104.63 116.50
-0.9 123.30 127.58 123.14 144.08

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Pound Sterling Index

250.57 158.57 62.71 93.29

93.29 246.88 1467.05 160.56 47.08 164.29 209.36 199.75 137.46 184.46 108.99 180.73 167.37

Belgium's increase is partly ascribed to the fact that May's volume had been depressed by the large number of companies going ex-dividend. However. the market was also less affected by the Maastricht fallout than other European

Rachael Rowe of Kleinwort Benson notes that in spite of this, daily volume remained below BFr1bn (\$32.7m) and was likely to stay there for some time to come. Nevertheless, she says that "within a Euro-pean context, Belgium has been one of the best performing markets against a background of general nervousness surrounding the future of the Maastricht treaty".

EUROPEAN EQUITIES TURNOVER Monthly total in local currencies (bn) US 51.36 112.17 50.14 134.26 100.16 108,97 107.90 7,457.20 125.80 9,747.60 7.46 6.99 5.37 9.06 5,944,80 8,594,77 12.00 515.35 12.20 461.52 12.48 513.47 607.28 32.59 41.17 34.05 64.79 Volumes represent purchases and eals

which saw the biggest climb in volume during the month, was a consequence of heavy selling following the Danish vote and

President Mitterrand's decision to call an autumn referendum. Mr James Cornish of County NatWest, who supplies the monthly data, notes that "endquarter options and futures expiry and window dressing at the end of the first half of the year" also swelled the figures. A weaker dollar and further

US Dollar Indo*r* 

141.96 110 24 156.31 121.39 148.58 115.39 127.52 99.11 237.59 184.52 75.00 58.25 155.88 121.06 122.45 95.10 122.45 95.10 122.45 95.10 250.57 194.67 158.21 122.87 62.80 48.77 96.36 74.88 1458.01 1132.34 162.13 125.92 46.93 36.42 162.13 125.92 46.93 36.42 162.13 125.92 140.27 108.94 147.58 145.62 110.85 85.94 187.58 145.62 110.85 85.94 183.99 142.43 188.52 130.88

147 90 114 87 117.10 114.46 115.18 174 55 135.56 138.19 135.08 133.21 103.11 80.08 81.64 79.80 82.89 121.23 94.15 95.97 93.81 96.24 165.95 98.15 100.07 97.82 93.42 169.68 131.78 134.38 131.33 151.30 123.47 95.66 97.52 95.32 98.89 133.19 103.44 105.46 103.08 117.79 137.13 108.50 108.58 105.13 119.59 180.48 124.63 127.06 124.21 145.30

Pound Sterling Index

DM Index

Gross Drv Vield

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4.25 2.38 1.51 2.87 3.00 3.51 3.56 2.87 2.62 2.92 3.46

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

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-0.1 -0.6 -1.5 -0.3 +0.0 -0.4 -1.8 -1.1 +0.0

+0.3 -0.4 -2.0 +0.6 -1.0 +0.5 -1.5 -0.1 -1.5 -1.7 -1.7

-1.3 -1.0 -1.7 -1.5 -0.7 -1.3 +0.0 -1.4 -1.1 -0.8

The World Index (2223)... 135.58 -1.4 105.50 108.72 104.93 118.74 -1.1 2.92 137.52 106.81 108.89 106.43 120.07 153.70 130.86 140.78

worries about the pace of US economic recovery affected the Netherlands, which prompted investors to switch out of cyclical stocks and into defen-

sive issues. Negative corporate news, particularly from Philips, the Dutch-based electrical giant, also affected sentiment. Philips lost 18 per cent in one day as analysts downgraded the stock following a profits warning

1982 High

1992 Low

133.99 152.29

116.07 146.58 135.93

Gurrency lades

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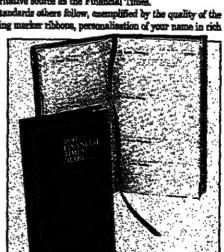
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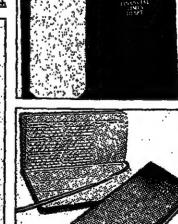
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